

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
DECEMBER 31, 2016

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**PENSION FUND
FINANCIAL REPORT**
December 31, 2016 and the Twelve Months Then Ended
Does Not Include Final Year End Adjustments
Dollars in Thousands

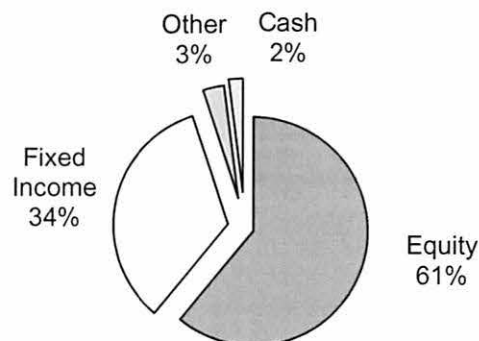
1. Net assets were \$15,266,652 at December 31, 2016, compared to \$16,126,208 at December 31, 2015, a decrease of \$859,556 compared to a decrease of \$1,736,898 for the same period last year.

The \$877,342 difference is due to \$1,367,733 more net investment income offset by \$490,391 more net operating loss.

2. A comparison of Full-Time Equivalent (FTE) actives and retirees follows:

	<u>Actives</u>	<u>Retirees</u>
As of:		
November 2016	59,479	203,415
December 2015	59,607	205,202
Eleven-month average:		
November 2016	59,418	204,172
November 2015	60,307	206,579
% decrease	(1.47)%	(1.17)%

3. For the twelve months ended December 2016, the Fund's net operating loss was \$2,082,778 compared to a loss of \$1,592,387 for the same period in 2015, or a \$490,391 unfavorable change:
 - (\$500,469) less contributions primarily due to a decrease in withdrawal liability receipts and recognition of withdrawal liability previously classified as potentially refundable in 2015,
 - \$4,733 less benefits and
 - \$5,345 less general and administrative expenses.
4. During the twelve months ended December 2016 and 2015, the Fund withdrew \$2,076,580 and \$1,718,259 respectively, from investment assets to fund the cash operating deficit.
5. Investment asset allocation as of December 31, 2016:



Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Position
December 31, 2016
(Dollar amounts in thousands)

	December 31, 2016	(1)	December 31, 2015	Change in Net Assets	
				Dollars	Percentage
Investments:					
Cash equivalents	\$ 798,411		620,846	177,565	1.1
Fixed income	4,430,719		4,689,031	(258,312)	(1.6)
Equity	9,474,394		10,054,750	(580,356)	(3.6)
Other	470,730		687,073	(216,343)	(1.4)
Total investments	15,174,254		16,051,700	(877,446)	(5.5)
Investment related assets	2,006,174		2,300,151	(293,977)	(1.8)
Employer contributions receivable, net	70,540		72,206	(1,666)	-
Other assets	7,822		9,602	(1,780)	-
Total assets	17,258,790		18,433,659	(1,174,869)	(7.3)
Investment related liabilities	1,929,394		2,244,189	314,795	2.0
Other liabilities	62,744		63,262	518	-
Total liabilities	1,992,138		2,307,451	315,313	2.0
NET ASSETS	\$ 15,266,652		16,126,208	(859,556)	(5.3)

Note(s):

(1) Does not include final year end adjustments.

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Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Operations
December 31, 2016
(Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2016	(1)	Dollars	Percentage
<u>INCOME & EXPENSES</u>				
Contributions (includes W/L)	\$ 774,044	1,274,513 (2)(3)	(500,469)	(39.3)
Benefits	2,809,605	2,814,338	4,733	0.2
General and administrative expenses	<u>47,217</u>	<u>52,562</u>	<u>5,345</u>	10.2
Operating gain(loss)	(2,082,778)	(1,592,387)	(490,391)	N/A
Net investment income(loss)	<u>1,223,222</u>	<u>(144,511)</u>	<u>1,367,733</u>	N/A
Change in net assets	<u>\$ (859,556)</u>	<u>(1,736,898)</u>	<u>877,342</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	363.0 %	220.8 %		
General and administrative expenses to:				
Contributions	6.1 %	4.1 %		
Benefits	1.7 %	1.9 %		
Eleven-month average FTEs	59,418	60,307		
Contributions per average FTE	\$ 13,027	21,134		
Benefits per average FTE	\$ 47,285	46,667		
Pensioners and beneficiaries - current month	203,457	205,502		
Current month average benefit per pensioner and beneficiary	\$ 1,146	1,138		

Note(s):

(1) Does not include final year end adjustments.

(2) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

(3) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Current and Projected Operations
For Year Ending December 31, 2017
(Dollar amounts in thousands)

	January 2017	Projection Remainder of 2017	Year Ending December 2017
Contributions (includes W/L)	\$ 60,800	635,400	696,200
Benefits	234,600	2,578,000	2,812,600
General and administrative expenses	<u>4,000</u>	<u>44,200</u>	<u>48,200</u>
Change in net assets before net investment income(loss)	\$ <u>(177,800)</u>	<u>(1,986,800)</u>	<u>(2,164,600)</u>

Assumptions Used in 2017 Projections

Contributions - No change in plan mix and \$96.0 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - 2% increase over 2016.

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Central States, Southeast and Southwest Areas Pension Fund
Statement of Net Assets
(In thousands)

	December 31, 2016	(1)	December 31, 2015	December 31, 2014
ASSETS				
Investments:				
Cash equivalents	\$	798,411	620,846	652,095
Fixed income		4,430,719	4,689,031	5,292,888
Equity		9,474,394	10,054,750	11,179,145
Other, primarily real estate related		470,730	687,073	808,375
Total investments		<u>15,174,254</u>	<u>16,051,700</u>	<u>17,932,503</u>
Receivables:				
Employer contributions, less allowance for uncollectible contributions (2)		70,540	72,206	84,074
Interest and dividends		54,569	57,278	62,986
Other, primarily for securities sold		317,566	360,790	354,774
Total receivables		<u>442,675</u>	<u>490,274</u>	<u>501,834</u>
Cash		545	1,518	1,295
Assets held in securities lending program		1,634,039	1,882,083	2,142,191
Other, primarily furniture and equipment - net		7,277	8,084	6,480
Total assets		<u>17,258,790</u>	<u>18,433,659</u>	<u>20,584,303</u>
LIABILITIES				
Liability to return collateral held under securities lending agreements		1,634,039	1,882,083	2,142,191
Payable for securities purchased		285,277	350,687	357,263
Accounts payable and accrued expenses (3)		68,900	69,044	67,532
Deferred withdrawal liability receipts		3,922	5,637	154,211
Total liabilities		<u>1,992,138</u>	<u>2,307,451</u>	<u>2,721,197</u>
NET ASSETS	\$	<u><u>15,266,652</u></u>	<u><u>16,126,208</u></u>	<u><u>17,863,106</u></u>

Note(s):

(1) Does not include final year end adjustments.

(2) Allowance for uncollectible contributions:

	\$	67,571	71,779	73,876
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Reserve for YRC included in above allowance:

	\$	55,673	59,862	60,060
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(3) Includes a liability for 401(h) plan assets:

	\$	52,891	48,347	48,058
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Central States, Southeast and Southwest Areas Pension Fund
Statement of Changes in Net Assets
(In thousands)

	December		Twelve Months Ended December	
	2016	(1)	2016	(1)
Revenue:				
Contributions	\$ 55,640	38,007	611,067	586,686
Withdrawal liability	23,322	267,888 (2)	162,977	687,827 (2)(3)
Total revenue	<u>78,962</u>	<u>305,895</u>	<u>774,044</u>	<u>1,274,513</u>
Benefits and expenses:				
Benefits to participants	234,157	234,235	2,809,605	2,814,338
General and administrative expenses	3,936	5,487	47,217	52,562
Total benefits and expenses	<u>238,093</u>	<u>239,722</u>	<u>2,856,822</u>	<u>2,866,900</u>
Operating gain(loss)	(159,131)	66,173	(2,082,778)	(1,592,387)
Investment income(loss):				
Interest, dividends and other	26,283	30,839	336,431	368,132
Realized and unrealized gain(loss) on investments, net	182,350	(276,783)	927,246	(470,066)
Investment expenses	(3,158)	(3,142)	(40,455)	(42,577)
Net investment income(loss)	<u>205,475</u>	<u>(249,086)</u>	<u>1,223,222</u>	<u>(144,511)</u>
Change in net assets	46,344	(182,913)	(859,556)	(1,736,898)
NET ASSETS:				
Beginning of period	<u>15,220,308</u>	<u>16,309,121</u>	<u>16,126,208</u>	<u>17,863,106</u>
End of period	<u>\$ 15,266,652</u>	<u>16,126,208</u>	<u>15,266,652</u>	<u>16,126,208</u>

Note(s):

(1) Does not include final year end adjustments.

(2) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

(3) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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Central States, Southeast and Southwest Areas Pension Fund
Statement of Changes in Net Assets
(In thousands)

	Years Ended			
	2015	2014	2013	2012
Revenue:				
Contributions	\$ 586,686	582,359	571,104	568,878
Withdrawal liability	687,827 (1)(2)	232,836	153,928	188,828
Total revenue	<u>1,274,513</u>	<u>815,195</u>	<u>725,032</u>	<u>757,706</u>
Benefits and expenses:				
Benefits to participants	2,814,338	2,822,248	2,822,508	2,823,581
General and administrative expenses	52,562	38,078	36,799	34,498
Total benefits and expenses	<u>2,866,900</u>	<u>2,860,326</u>	<u>2,859,307</u>	<u>2,858,079</u>
Operating gain(loss)	(1,592,387)	(2,045,131)	(2,134,275)	(2,100,373)
Investment income(loss):				
Interest, dividends and other	368,132	370,170	348,708	379,051
Realized and unrealized gain(loss) on investments, net	(470,066)	843,954	2,807,635	1,881,196
Investment expenses	(42,577)	(46,646)	(46,568)	(44,490)
Net investment income(loss)	<u>(144,511)</u>	<u>1,167,478</u>	<u>3,109,775</u>	<u>2,215,757</u>
Change in net assets	(1,736,898)	(877,653)	975,500	115,384
NET ASSETS:				
Beginning of period	<u>17,863,106</u>	<u>18,740,759</u>	<u>17,765,259</u>	<u>17,649,875</u>
End of period	<u>\$ 16,126,208</u>	<u>17,863,106</u>	<u>18,740,759</u>	<u>17,765,259</u>

Note(s):

(1) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

(2) Recognition of withdrawal liability previously classified as potentially refundable (\$184 million).

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Central States, Southeast and Southwest Areas Pension Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	December		Twelve Months Ended December	
	2016	(1)	2016	(1)
Operations:				
Contributions	\$ 46,280	49,119	611,908	597,999
Benefits paid, net (2)	(234,375)	(234,553)	(2,809,396)	(2,814,127)
	(188,095)	(185,434)	(2,197,488)	(2,216,128)
Payroll	(1,905)	(2,064)	(16,401)	(17,741)
Employee benefits	(609)	(666)	(7,623)	(7,816)
Fees, services and software	(382)	(790)	(6,427)	(7,687)
Rent	(113)	(141)	(1,380)	(1,730)
Office (3)	(243)	(300)	(14,405)	(15,380)
Withdrawal liability receipts	23,346	264,242 (4)	161,230	548,619 (4)
Other	(154)	(3,205)	(2,905)	(980)
	19,940	257,076	112,089	497,285
Net from operations	(168,155)	71,642	(2,085,399)	(1,718,843)
Investments:				
Net sales(purchases)	144,174	(97,583)	1,787,043	1,398,513
Interest and dividends	26,613	28,847	339,170	364,575
Management fees	(2,609)	(3,347)	(41,787)	(44,022)
Investments, net	168,178	(72,083)	2,084,426	1,719,066
Change in cash	23	(441)	(973)	223
Cash:				
Beginning of period	522	1,959	1,518	1,295
End of period	\$ 545	1,518	545	1,518

Note(s):

(1) Does not include final year end adjustments.

(2) Includes change in overdraft: \$ (218) (318)

(3) PBGC payment: \$ 0 0 (10,555) (10,335)

(4) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

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Central States, Southeast and Southwest Areas Pension Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	Years Ended			
	2015	2014	2013	2012
Operations:				
Contributions	\$ 597,999	580,516	572,902	568,834
Benefits paid, net (1)	(2,814,127)	(2,822,084)	(2,822,571)	(2,823,666)
	<u>(2,216,128)</u>	<u>(2,241,568)</u>	<u>(2,249,669)</u>	<u>(2,254,832)</u>
Payroll	(17,741)	(16,145)	(15,941)	(15,364)
Employee benefits	(7,816)	(7,456)	(7,532)	(7,113)
Fees, services and software	(7,687)	(4,102)	(2,726)	(2,341)
Rent	(1,730)	(1,663)	(1,717)	(1,658)
Office	(15,380) (2)	(8,358)	(8,850)	(7,659)
Withdrawal liability receipts	548,619 (3)	255,800	234,417	217,745
Other	(980)	(5,523)	(1,084)	1,394
	<u>497,285</u>	<u>212,553</u>	<u>196,567</u>	<u>185,004</u>
Net from operations	<u>(1,718,843)</u>	<u>(2,029,015)</u>	<u>(2,053,102)</u>	<u>(2,069,828)</u>
Investments:				
Net sales(purchases)	1,398,513	1,707,729	1,760,498	1,731,937
Interest and dividends	364,575	367,079	337,794	380,470
Management fees	(44,022)	(45,818)	(46,282)	(44,704)
Investments, net	<u>1,719,066</u>	<u>2,028,990</u>	<u>2,052,010</u>	<u>2,067,703</u>
Change in cash	223	(25)	(1,092)	(2,125)
Cash:				
Beginning of period	<u>1,295</u>	<u>1,320</u>	<u>2,412</u>	<u>4,537</u>
End of period	<u>\$ 1,518</u>	<u>1,295</u>	<u>1,320</u>	<u>2,412</u>

Note(s):

(1) Includes change in overdraft: \$ 210 163 (62) (84)

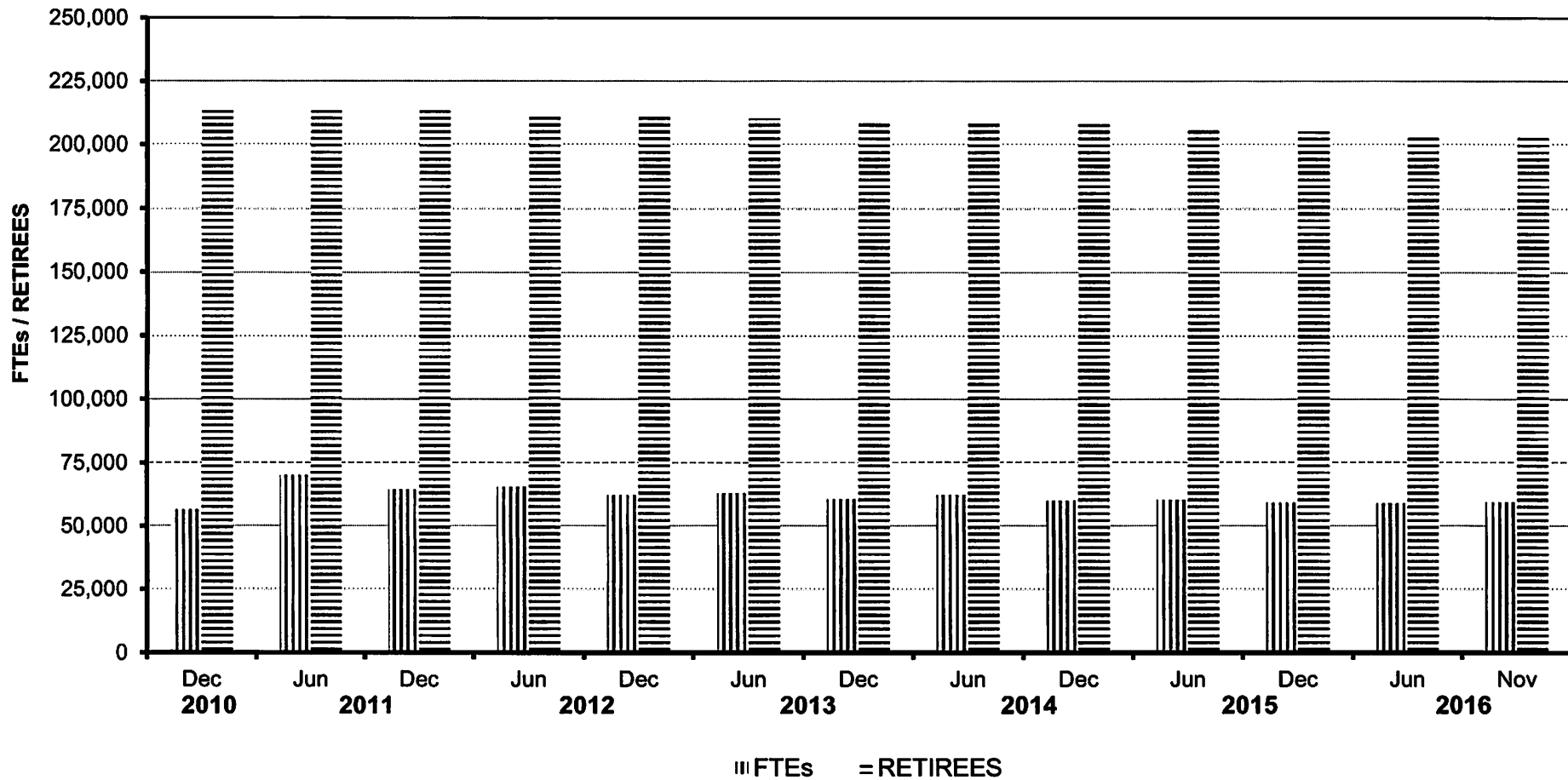
(2) Includes PBGC payment of \$10,335.

(3) Includes \$138.8 million from Republic Services Inc. and \$97.1 million from USF Holding Corp.

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Central States Pension Fund

Full Time Equivalents vs. Retirees
December 2010 Through November 2016



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