

CENTRAL STATES PENSION FUND
FINANCIAL AND ANALYTICAL INFORMATION
JUNE 30, 2016

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**PENSION FUND
FINANCIAL REPORT
June 30, 2016 and the Six Months Then Ended
Dollars in Thousands**

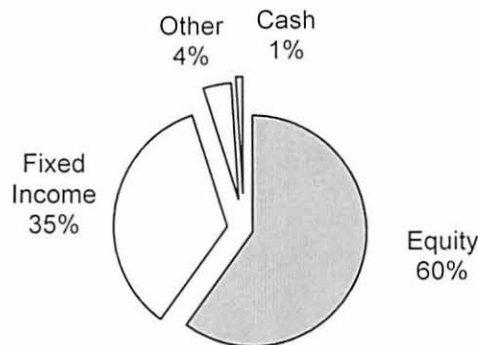
1. Net assets were \$15,626,115 at June 30, 2016, compared to \$16,126,208 at December 31, 2015, a decrease of \$500,093 compared to a decrease of \$532,184 for the same period last year.

The \$32,091 difference is due to \$198,545 more net investment income offset by \$166,454 more net operating loss.

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

As of:	Actives	Retirees
May 2016	59,234	204,115
December 2015	59,551	205,202
Five-month average:		
May 2016	58,623	204,698
May 2015	59,621	207,284
% decrease	(1.67)%	(1.25)%

3. For the six months ended June 2016, the Fund's net asset decrease from operations (before investment income) was \$1,042,997 compared to a decrease of \$876,543 for the same period in 2015, or a \$166,454 unfavorable change:
- (\$169,949) less contributions primarily due to recognition of withdrawal liability previously classified as potentially refundable in 2015,
 - \$1,967 less benefits and
 - \$1,528 less general and administrative expenses.
4. During the six months ended June 2016 and 2015, the Fund withdrew \$1,029,063 and \$1,012,615 respectively, from investment assets to fund the cash operating deficit.
5. Investment asset allocation as of June 30, 2016:



Central States, Southeast and Southwest Areas Pension Fund
Executive Summary of Financial Position
June 30, 2016
(Dollar amounts in thousands)

	June 30, 2016	December 31, 2015	Change in Net Assets	
			Dollars	Percentage
Investments:				
Cash equivalents	\$ 558,757	620,846	(62,089)	(0.4)
Fixed income	4,643,664	4,689,031	(45,367)	(0.3)
Equity	9,525,411	10,054,750	(529,339)	(3.3)
Other	742,416	687,073	55,343	0.3
Total investments	15,470,248	16,051,700	(581,452)	(3.7)
Investment related assets	2,357,710	2,300,151	57,559	0.4
Employer contributions receivable, net	68,020	72,206	(4,186)	-
Other assets	8,853	9,602	(749)	-
Total assets	17,904,831	18,433,659	(528,828)	(3.3)
Investment related liabilities	2,212,068	2,244,189	32,121	0.2
Other liabilities	66,648	63,262	(3,386)	-
Total liabilities	2,278,716	2,307,451	28,735	0.2
NET ASSETS	\$ 15,626,115	16,126,208	(500,093)	(3.1)

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Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Operations
 June 30, 2016
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year	
	2016	2015	Dollars	Percentage
<u>INCOME & EXPENSES</u>				
Contributions (includes W/L)	\$ 386,027	555,976	(169,949) (1)	(30.6)
Benefits	1,404,976	1,406,943	1,967	0.1
General and administrative expenses	<u>24,048</u>	<u>25,576</u>	<u>1,528</u>	6.0
Change in net assets before net investment income(loss)	(1,042,997)	(876,543)	(166,454)	N/A
Net investment income(loss)	<u>542,904</u>	<u>344,359</u>	<u>198,545</u>	N/A
Change in net assets	<u>\$ (500,093)</u>	<u>(532,184)</u>	<u>32,091</u>	N/A
<u>OPERATING STATISTICS</u>				
Benefits to contributions	364.0 %	253.1 %		
General and administrative expenses to:				
Contributions	6.2 %	4.6 %		
Benefits	1.7 %	1.8 %		
Five-month average FTEs	58,623	59,621		
Contributions per average FTE	\$ 6,585	9,325		
Benefits per average FTE	\$ 23,966	23,598		
Pensioners and beneficiaries - current month	203,950	206,338		
Current month average benefit per pensioner and beneficiary	\$ 1,142	1,134		

Note(s):

(1) Primarily recognition of withdrawal liability previously classified as potentially refundable (\$184,000).

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Current and Projected Operations
 June 30, 2016
 (Dollar amounts in thousands)

	Actual through June 2016	Projection		
		July 2016	Remainder of 2016	Year Ending December 2016
Contributions (includes W/L)	\$ 386,027	76,500	291,473	754,000
Benefits	1,404,976	233,800	1,168,124	2,806,900
General and administrative expenses	<u>24,048</u>	<u>4,300</u>	<u>21,252</u>	<u>49,600</u>
Change in net assets before net investment income(loss)	<u>\$ (1,042,997)</u>	<u>(161,600)</u>	<u>(897,903)</u>	<u>(2,102,500)</u>

Assumptions Used in 2016 Projections

Contributions - No change in plan mix and \$142.9 million in estimated withdrawal liability income.

Benefits - Level benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2015 expenses for remaining months and decreased MPRA related expenses.

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>2014</u>
ASSETS			
Investments:			
Cash equivalents	\$ 558,757	620,846	652,095
Fixed income	4,643,664	4,689,031	5,292,888
Equity	9,525,411	10,054,750	11,179,145
Other, primarily real estate related	742,416	687,073	808,375
Total investments	15,470,248	16,051,700	17,932,503
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	68,020	72,206	84,074
Interest and dividends	59,111	57,278	62,986
Other, primarily for securities sold	353,250	360,790	354,774
Total receivables	480,381	490,274	501,834
Cash	903	1,518	1,295
Assets held in securities lending program	1,945,349	1,882,083	2,142,191
Other, primarily furniture and equipment - net	7,950	8,084	6,480
Total assets	17,904,831	18,433,659	20,584,303
LIABILITIES			
Liability to return collateral held under securities lending agreements	1,945,349	1,882,083	2,142,191
Payable for securities purchased	257,359	350,687	357,263
Accounts payable and accrued expenses (2)	71,897	69,044	67,532
Deferred withdrawal liability receipts	4,111	5,637	154,211
Total liabilities	2,278,716	2,307,451	2,721,197
NET ASSETS	\$ 15,626,115	16,126,208	17,863,106
<u>Note(s):</u>			
(1) Allowance for uncollectible contributions:	\$ 67,738	71,779	73,876
Reserve for YRC included in above allowance:	\$ 55,673	59,862	60,060
(2) Includes a liability for 401(h) plan assets:	\$ 50,354	48,347	48,058

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

	June		Six Months Ended June	
	2016	2015	2016	2015
Revenue:				
Contributions	\$ 50,745	47,749	297,641	290,988
Withdrawal liability	18,549	214,932 (1)	88,386	264,988 (1)
Total revenue	69,294	262,681	386,027	555,976
Benefits and expenses:				
Benefits to participants	234,207	234,765	1,404,976	1,406,943
General and administrative expenses	4,138	4,561	24,048	25,576
Total benefits and expenses	238,345	239,326	1,429,024	1,432,519
 Change in net assets before net investment income(loss)	(169,051)	23,355	(1,042,997)	(876,543)
Investment income(loss):				
Interest, dividends and other	30,923	47,636	180,373	197,617
Realized and unrealized gain(loss) on investments, net	23,820	(333,000)	382,870	169,204
Investment expenses	(3,319)	(3,450)	(20,339)	(22,462)
Net investment income(loss)	51,424	(288,814)	542,904	344,359
 Change in net assets	(117,627)	(265,459)	(500,093)	(532,184)
NET ASSETS:				
Beginning of period	15,743,742	17,596,381	16,126,208	17,863,106
End of period	\$ 15,626,115	17,330,922	15,626,115	17,330,922

Note(s):

(1) 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	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>
Change in net assets before net investment income(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>

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

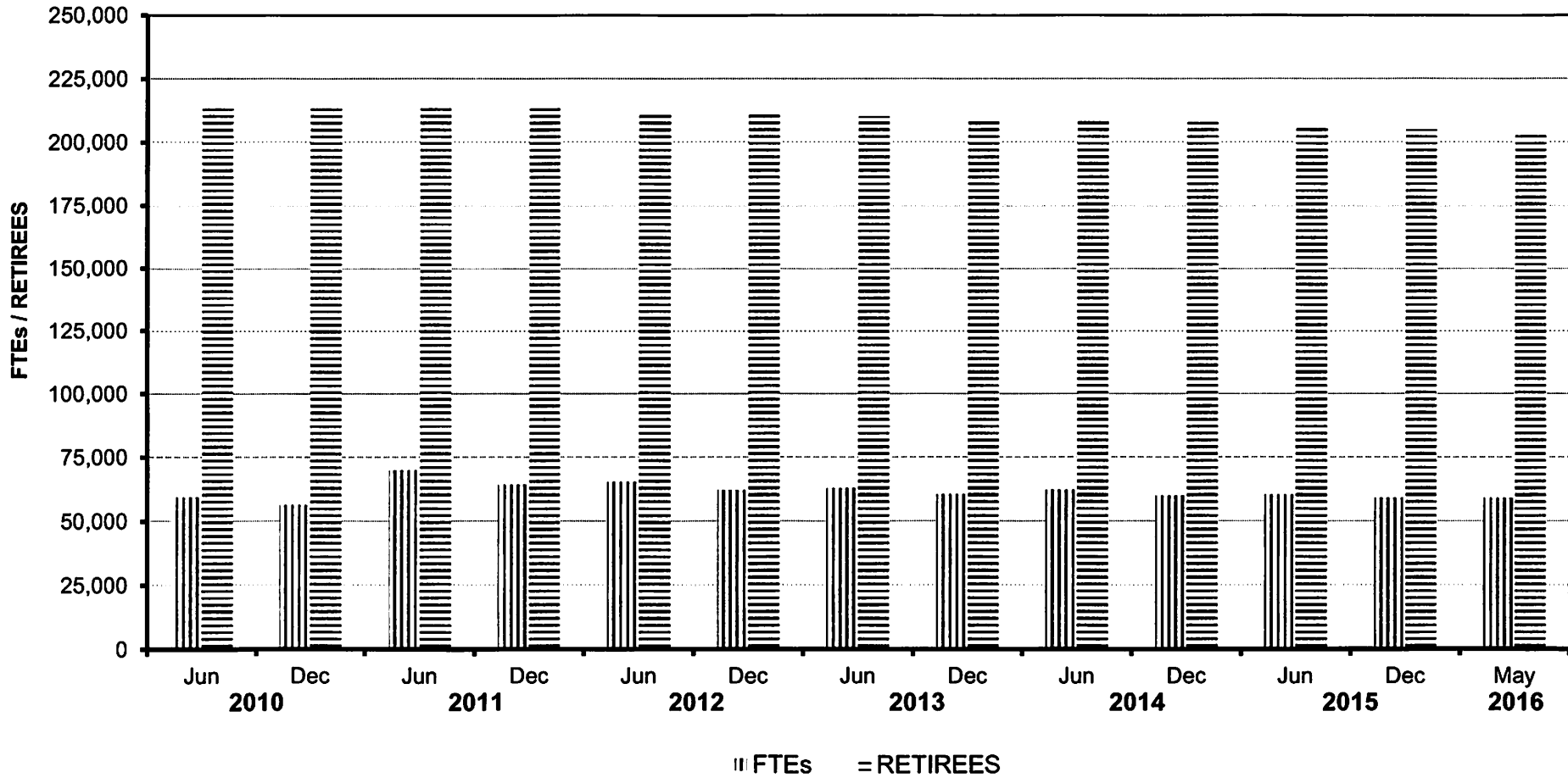
	June		Six Months Ended June	
	2016	2015	2016	2015
Operations:				
Contributions	\$ 43,465	55,384	299,751	289,674
Benefits paid, net (1)	(233,821)	(234,711)	(1,404,262)	(1,406,124)
	(190,356)	(179,327)	(1,104,511)	(1,116,450)
Payroll	(1,146)	(1,304)	(7,673)	(8,395)
Employee benefits	(590)	(764)	(3,753)	(3,837)
Fees, services and software	(944)	(697)	(4,006)	(3,535)
Rent	(116)	(153)	(700)	(880)
Office	(314)	(684)	(2,538)	(3,190)
Withdrawal liability receipts	12,612	34,798	86,927	125,979
Other	(706)	(1,601)	(978)	(2,350)
	8,796	29,595	67,279	103,792
Net from operations	(181,560)	(149,732)	(1,037,232)	(1,012,658)
Investments:				
Net sales(purchases)	155,939	129,973	880,547	853,921
Interest and dividends	30,434	31,680	178,472	184,878
Management fees	(4,735)	(11,044)	(22,402)	(25,894)
Investments, net	181,638	150,609	1,036,617	1,012,905
Change in cash	78	877	(615)	247
Cash:				
Beginning of period	825	665	1,518	1,295
End of period	\$ 903	1,542	903	1,542
Note(s):				
(1) Includes change in overdraft:	\$ 385	54	714	818

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)	<u>(2,814,127)</u>	<u>(2,822,084)</u>	<u>(2,822,571)</u>	<u>(2,823,666)</u>
	<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)	(8,358)	(8,850)	(7,659)
Withdrawal liability receipts	548,619	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	<u>(44,022)</u>	<u>(45,818)</u>	<u>(46,282)</u>	<u>(44,704)</u>
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>
<u>Note(s):</u>				
(1) Includes change in overdraft:	\$ 210	163	(62)	(84)

Central States Pension Fund

Full Time Equivalents vs. Retirees
June 2010 Through May 2016



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