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| <b>Form 5500</b><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).<br><br><b>▶ Complete all entries in accordance with the instructions to the Form 5500.</b> | OMB Nos. 1210-0110<br>1210-0089               |
|                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                    | <b>2015</b>                                   |
|                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                    | <b>This Form is Open to Public Inspection</b> |

|                                                                                                          |                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                                                                                                                                |
| For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2015</u> and ending <u>12/31/2015</u> |                                                                                                                                                                                                                                                                                                                                                |
| <b>A</b> This return/report is for:                                                                      | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____ |
| <b>B</b> This return/report is:                                                                          | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input checked="" type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months).                                                                                           |
| <b>C</b> If the plan is a collectively-bargained plan, check here. ....                                  | <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                                                            |
| <b>D</b> Check box if filing under:                                                                      | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                                                                                                                      |

|                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b>                                                                                                                                                                                                                                                                                                                                                                                               | <b>Basic Plan Information</b> —enter all requested information                                                                                                                                         |
| <b>1a</b> Name of plan<br><u>UPS PENSION PLAN</u>                                                                                                                                                                                                                                                                                                                                                            | <b>1b</b> Three-digit plan number (PN) ▶ <u>022</u><br><b>1c</b> Effective date of plan<br><u>01/01/1973</u>                                                                                           |
| <b>2a</b> Plan sponsor's name (employer, if for a single-employer plan)<br>Mailing address (include room, apt., suite no. and street, or P.O. Box)<br>City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)<br><u>UNITED PARCEL SERVICE OF AMERICA, INC.</u><br><br><u>C/O TAX DEPARTMENT</u><br><u>55 GLENLAKE PARKWAY NE</u><br><u>ATLANTA, GA 30328</u> | <b>2b</b> Employer Identification Number (EIN)<br><u>95-1732075</u><br><b>2c</b> Plan Sponsor's telephone number<br><u>404-828-6000</u><br><b>2d</b> Business code (see instructions)<br><u>484200</u> |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                                                                                                 |                                                          |                   |                                                              |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------|--------------------------------------------------------------|
| <b>SIGN HERE</b>                                                                                | <u>Filed with authorized/valid electronic signature.</u> | <u>04/11/2017</u> | <u>DAN DISMUKES</u>                                          |
|                                                                                                 | <b>Signature of plan administrator</b>                   | Date              | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b>                                                                                |                                                          |                   |                                                              |
|                                                                                                 | <b>Signature of employer/plan sponsor</b>                | Date              | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b>                                                                                |                                                          |                   |                                                              |
|                                                                                                 | <b>Signature of DFE</b>                                  | Date              | Enter name of individual signing as DFE                      |
| Preparer's name (including firm name, if applicable) and address (include room or suite number) |                                                          |                   | Preparer's telephone number                                  |
|                                                                                                 |                                                          |                   |                                                              |

|                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor                                                                                                                                                                                                                                                                                                                              | <b>3b</b> Administrator's EIN<br><br><b>3c</b> Administrator's telephone number<br><br><div style="background-color: #cccccc; height: 40px; width: 100%;"></div>                                                                                                                                                                                                                                                                                                                                             |
| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><b>a</b> Sponsor's name                                                                                                                                                                                                                     | <b>4b</b> EIN<br><br><b>4c</b> PN                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                                                                                                                                                                                                                                                               | <b>5</b> 197598                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>a(1)</b> Total number of active participants at the beginning of the plan year.....                                                                                                                                                                                                                                                                                                                                                | <b>6a(1)</b> 148506                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>a(2)</b> Total number of active participants at the end of the plan year .....                                                                                                                                                                                                                                                                                                                                                     | <b>6a(2)</b> 141592                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>b</b> Retired or separated participants receiving benefits.....                                                                                                                                                                                                                                                                                                                                                                    | <b>6b</b> 10876                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                                                                                                                                                                                                                                                                                                     | <b>6c</b> 42010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                                                                                                                                                                                                                                                                           | <b>6d</b> 194478                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....                                                                                                                                                                                                                                                                                                                             | <b>6e</b> 1566                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                                                                                                                                                                                                                                                               | <b>6f</b> 196044                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) .....                                                                                                                                                                                                                                                                                       | <b>6g</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....                                                                                                                                                                                                                                                                                           | <b>6h</b> 6292                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....                                                                                                                                                                                                                                                                                                  | <b>7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>1B 1D                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                         | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                                                                                                |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>a Pension Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)<br><br>(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary<br><br>(3) <input checked="" type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary | <b>b General Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)<br>(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)<br>(3) <input type="checkbox"/> <b>A</b> (Insurance Information)<br>(4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information)<br>(5) <input checked="" type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)<br>(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules) |

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|-----------------|-----------------------------------------------------------------------------------|
| <b>Part III</b> | <b>Form M-1 Compliance Information (to be completed by welfare benefit plans)</b> |
|-----------------|-----------------------------------------------------------------------------------|

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**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

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**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

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**11c** Enter the Receipt Confirmation Code for the 2015 Form M-1 annual report. If the plan was not required to file the 2015 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

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|                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                 |                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <div>SCHEDULE SB<br/>(Form 5500)<br/><br/>Department of the Treasury<br/>Internal Revenue Service<br/><br/>Department of Labor<br/>Employee Benefits Security Administration<br/><br/>Pension Benefit Guaranty Corporation</div> | <div>Single-Employer Defined Benefit Plan<br/>Actuarial Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).</div> <div>File as an attachment to Form 5500 or 5500-SF.</div> | <div>OMB No. 1210-0110</div> <div>2015</div> <div>This Form is Open to Public Inspection</div> |
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|                                                                                                                                    |                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015                                         |                                                                                                                                                  |
| Round off amounts to nearest dollar.                                                                                               |                                                                                                                                                  |
| Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.              |                                                                                                                                                  |
| A Name of plan<br>UPS PENSION PLAN                                                                                                 | B Three-digit plan number (PN) 022                                                                                                               |
| C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br>UNITED PARCEL SERVICE OF AMERICA, INC.                        | D Employer Identification Number (EIN)<br>95-1732075                                                                                             |
| E Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B | F Prior year plan size: <input type="checkbox"/> 100 or fewer <input type="checkbox"/> 101-500 <input checked="" type="checkbox"/> More than 500 |

|        |                                                                                                                                                                                                    |                            |                           |                          |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------|--------------------------|
| Part I | Basic Information                                                                                                                                                                                  |                            |                           |                          |
| 1      | Enter the valuation date: Month 01 Day 01 Year 2015                                                                                                                                                |                            |                           |                          |
| 2      | Assets:                                                                                                                                                                                            |                            |                           |                          |
|        | a Market value                                                                                                                                                                                     | 2a                         | 5463159721                |                          |
|        | b Actuarial value                                                                                                                                                                                  | 2b                         | 5335084525                |                          |
| 3      | Funding target/participant count breakdown                                                                                                                                                         | (1) Number of participants | (2) Vested Funding Target | (3) Total Funding Target |
|        | a For retired participants and beneficiaries receiving payment                                                                                                                                     | 9883                       | 887910754                 | 887910754                |
|        | b For terminated vested participants                                                                                                                                                               | 39219                      | 629584824                 | 629584824                |
|        | c For active participants                                                                                                                                                                          | 148211                     | 3187798114                | 3435229624               |
|        | d Total                                                                                                                                                                                            | 197313                     | 4705293692                | 4952725202               |
| 4      | If the plan is in at-risk status, check the box and complete lines (a) and (b) <input type="checkbox"/>                                                                                            |                            |                           |                          |
|        | a Funding target disregarding prescribed at-risk assumptions                                                                                                                                       | 4a                         |                           |                          |
|        | b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor | 4b                         |                           |                          |
| 5      | Effective interest rate                                                                                                                                                                            | 5                          | 6.53 %                    |                          |
| 6      | Target normal cost                                                                                                                                                                                 | 6                          | 210053850                 |                          |

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                                                     |                               |                                        |
|-----------------------------------------------------|-------------------------------|----------------------------------------|
| SIGN HERE                                           |                               | 03/30/2017                             |
|                                                     | Signature of actuary          | Date                                   |
| TIMOTHY HOPPIN, F.S.A., E.A.                        | Type or print name of actuary | 14-07404                               |
|                                                     |                               | Most recent enrollment number          |
| TOWERS WATSON DELAWARE INC.                         | Firm name                     | 404-365-1600                           |
|                                                     |                               | Telephone number (including area code) |
| 3500 LENOX ROAD SUITE 900<br>ATLANTA, GA 30326-4238 | Address of the firm           |                                        |

Liquidity shortfall as of end of quarter of this plan year

**Part V Assumptions Used to Determine Funding Target and Target Normal Cost**

|                                                                                                                                                                                              |                        |                        |                        |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                        |                        |                        |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>4.72 % | 2nd segment:<br>6.11 % | 3rd segment:<br>6.81 % | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code).....                                                                                                                                                  |                        |                        |                        | <b>21b</b> 4                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                        |                        |                        | <b>22</b> 61                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                        |                        |                        |                                                     |

**Part VI Miscellaneous Items**

|                                                                                                                                                                        |                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>24</b> Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>25</b> Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ....                                      | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>26</b> Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....                             | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>27</b> If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment.....                                    | <b>27</b>                                                           |

**Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years**

|                                                                                                                                     |           |   |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|---|
| <b>28</b> Unpaid minimum required contributions for all prior years .....                                                           | <b>28</b> | 0 |
| <b>29</b> Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)..... | <b>29</b> | 0 |
| <b>30</b> Remaining amount of unpaid minimum required contributions (line 28 minus line 29) .....                                   | <b>30</b> | 0 |

**Part VIII Minimum Required Contribution For Current Year**

|                                                                                                                                                                                      |                     |                    |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|---------------|
| <b>31</b> Target normal cost and excess assets (see instructions):                                                                                                                   |                     |                    |               |
| <b>a</b> Target normal cost (line 6) .....                                                                                                                                           | <b>31a</b>          | 210053850          |               |
| <b>b</b> Excess assets, if applicable, but not greater than line 31a .....                                                                                                           | <b>31b</b>          | 0                  |               |
| <b>32</b> Amortization installments:                                                                                                                                                 | Outstanding Balance | Installment        |               |
| <b>a</b> Net shortfall amortization installment .....                                                                                                                                | 224582587           | 37348762           |               |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       | 0                   | 0                  |               |
| <b>33</b> If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount ..... | <b>33</b>           | 0                  |               |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)...                                                            | <b>34</b>           | 247402612          |               |
|                                                                                                                                                                                      | Carryover balance   | Prefunding balance | Total balance |
| <b>35</b> Balances elected for use to offset funding requirement.....                                                                                                                | 41879543            | 101120457          | 143000000     |
| <b>36</b> Additional cash requirement (line 34 minus line 35) .....                                                                                                                  | <b>36</b>           | 104402612          |               |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c) .....                                                  | <b>37</b>           | 778707585          |               |
| <b>38</b> Present value of excess contributions for current year (see instructions)                                                                                                  |                     |                    |               |
| <b>a</b> Total (excess, if any, of line 37 over line 36) .....                                                                                                                       | <b>38a</b>          | 674304973          |               |
| <b>b</b> Portion included in line 38a attributable to use of prefunding and funding standard carryover balances .....                                                                | <b>38b</b>          | 143000000          |               |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) .....                                                                      | <b>39</b>           | 0                  |               |
| <b>40</b> Unpaid minimum required contributions for all years.....                                                                                                                   | <b>40</b>           | 0                  |               |

**Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)**

|                                                                                                |                                                                                                                         |   |  |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---|--|
| <b>41</b> If an election was made to use PRA 2010 funding relief for this plan:                |                                                                                                                         |   |  |
| <b>a</b> Schedule elected .....                                                                | <input type="checkbox"/> 2 plus 7 years <input type="checkbox"/> 15 years                                               |   |  |
| <b>b</b> Eligible plan year(s) for which the election in line 41a was made .....               | <input type="checkbox"/> 2008 <input type="checkbox"/> 2009 <input type="checkbox"/> 2010 <input type="checkbox"/> 2011 |   |  |
| <b>42</b> Amount of acceleration adjustment .....                                              | <b>42</b>                                                                                                               | 0 |  |
| <b>43</b> Excess installment acceleration amount to be carried over to future plan years ..... | <b>43</b>                                                                                                               | 0 |  |

|                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                             |                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury</div> <div>Internal Revenue Service</div> <div>Department of Labor</div> <div>Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div> | <div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div> | OMB No. 1210-0110                       |
|                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                             | 2015                                    |
|                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                             | This Form is Open to Public Inspection. |

|                                                                                                  |                                                      |     |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------|-----|
| For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015       |                                                      |     |
| A Name of plan<br>UPS PENSION PLAN                                                               | B Three-digit plan number (PN) ▶                     | 022 |
|                                                                                                  |                                                      |     |
| C Plan sponsor's name as shown on line 2a of Form 5500<br>UNITED PARCEL SERVICE OF AMERICA, INC. | D Employer Identification Number (EIN)<br>95-1732075 |     |

|        |                                                 |
|--------|-------------------------------------------------|
| Part I | Service Provider Information (see instructions) |
|--------|-------------------------------------------------|

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

|                                                                                                            |
|------------------------------------------------------------------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
|------------------------------------------------------------------------------------------------------------|

|                                                                                                           |
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| (b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation |
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| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
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| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

AON CONSULTING

22-2232264

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 16                     | NONE                                                                                              | 625122                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

XEROX CORPORATION

16-0468020

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 36                     | NONE                                                                                              | 451492                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

THE BANK OF NEW YORK MELLON

13-5160382

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 18                     | NONE                                                                                              | 205910                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

TOWERS WATSON DELAWARE

53-0181291

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 16 36                  | NONE                                                                                              | 171147                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

UNITED PARCEL SERVICE

95-1732075

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 36                     | PARTY IN INTEREST                                                                                 | 133439                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

RR DONNELLEY

36-1004130

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 36                     | NONE                                                                                              | 90403                                                                  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

DIRECT TECHNOLOGIES

58-2563032

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 36                     | NONE                                                                                              | 73740                                                                  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                        |                                                                                                   |                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                             | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**(a)** Enter name and EIN or address (see instructions)

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                        |                                                                                                   |                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                             | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |

**Part III** **Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:



**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><div style="border: 1px solid black; padding: 5px; font-size: 1.2em; font-weight: bold;">2015</div><br><br><b>This Form is Open to Public Inspection</b> |
| For calendar plan year 2015 or fiscal plan year beginning <span style="color: blue;">01/01/2015</span> and ending <span style="color: blue;">12/31/2015</span>                                                                                                           |                                                                                                                                                                                                                                                                              |                                                                                                                                                                                   |
| <b>A</b> Name of plan<br><span style="color: blue;">UPS PENSION PLAN</span>                                                                                                                                                                                              | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span>                                                                                                                                                                                                   | <span style="color: blue;">022</span>                                                                                                                                             |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><span style="color: blue;">UNITED PARCEL SERVICE OF AMERICA, INC.</span>                                                                                                                                | <b>D</b> Employer Identification Number (EIN)<br><span style="color: blue;">95-1732075</span>                                                                                                                                                                                |                                                                                                                                                                                   |

| Part I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Asset and Liability Statement                                                                     |                 | (a) Beginning of Year | (b) End of Year |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>1</b> Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. <b>Round off amounts to the nearest dollar.</b> MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions. |                                                                                                   |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Assets</b>                                                                                     |                 |                       |                 |
| <b>a</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Total noninterest-bearing cash .....                                                              | <b>1a</b>       |                       |                 |
| <b>b</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Receivables (less allowance for doubtful accounts):                                               |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(1)</b> Employer contributions .....                                                           | <b>1b(1)</b>    |                       | 449000000       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(2)</b> Participant contributions .....                                                        | <b>1b(2)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(3)</b> Other.....                                                                             | <b>1b(3)</b>    |                       |                 |
| <b>c</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | General investments:                                                                              |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....  | <b>1c(1)</b>    | 3                     | 7               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(2)</b> U.S. Government securities.....                                                        | <b>1c(2)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(3)</b> Corporate debt instruments (other than employer securities):                           |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(A)</b> Preferred .....                                                                        | <b>1c(3)(A)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(B)</b> All other.....                                                                         | <b>1c(3)(B)</b> | 81                    | 0               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(4)</b> Corporate stocks (other than employer securities):                                     |                 |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(A)</b> Preferred .....                                                                        | <b>1c(4)(A)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(B)</b> Common .....                                                                           | <b>1c(4)(B)</b> |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(5)</b> Partnership/joint venture interests .....                                              | <b>1c(5)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(6)</b> Real estate (other than employer real property) .....                                  | <b>1c(6)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(7)</b> Loans (other than to participants) .....                                               | <b>1c(7)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(8)</b> Participant loans .....                                                                | <b>1c(8)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(9)</b> Value of interest in common/collective trusts.....                                     | <b>1c(9)</b>    |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(10)</b> Value of interest in pooled separate accounts.....                                    | <b>1c(10)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(11)</b> Value of interest in master trust investment accounts .....                           | <b>1c(11)</b>   | 5465545089            | 5719111616      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(12)</b> Value of interest in 103-12 investment entities .....                                 | <b>1c(12)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....        | <b>1c(13)</b>   | 302943                | 173764          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts)..... | <b>1c(14)</b>   |                       |                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>(15)</b> Other .....                                                                           | <b>1c(15)</b>   |                       |                 |

| <b>1d</b> Employer-related investments:                              |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> |                       |                 |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 5465848116            | 6168285387      |

**Liabilities**

|                                                                           |           |   |   |
|---------------------------------------------------------------------------|-----------|---|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |   |   |
| <b>h</b> Operating payables .....                                         | <b>1h</b> |   |   |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |   |   |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |   |   |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 0 | 0 |

**Net Assets**

|                                                           |           |            |            |
|-----------------------------------------------------------|-----------|------------|------------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 5465848116 | 6168285387 |
|-----------------------------------------------------------|-----------|------------|------------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>a Contributions:</b>                                                                                    |                 |            |           |
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 846000000  |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> |            |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> |            |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 846000000 |
| <b>b Earnings on investments:</b>                                                                          |                 |            |           |
| (1) Interest:                                                                                              |                 |            |           |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....       | <b>2b(1)(A)</b> | 189        |           |
| <b>(B)</b> U.S. Government securities .....                                                                | <b>2b(1)(B)</b> |            |           |
| <b>(C)</b> Corporate debt instruments .....                                                                | <b>2b(1)(C)</b> |            |           |
| <b>(D)</b> Loans (other than to participants) .....                                                        | <b>2b(1)(D)</b> |            |           |
| <b>(E)</b> Participant loans .....                                                                         | <b>2b(1)(E)</b> |            |           |
| <b>(F)</b> Other .....                                                                                     | <b>2b(1)(F)</b> |            |           |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                              | <b>2b(1)(G)</b> |            | 189       |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                            | <b>2b(2)(A)</b> | 9          |           |
| <b>(B)</b> Common stock .....                                                                              | <b>2b(2)(B)</b> |            |           |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                                  | <b>2b(2)(C)</b> |            |           |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                  | <b>2b(2)(D)</b> |            | 9         |
| (3) Rents .....                                                                                            | <b>2b(3)</b>    |            |           |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                                 | <b>2b(4)(A)</b> |            |           |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                              | <b>2b(4)(B)</b> |            |           |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....                  | <b>2b(4)(C)</b> |            | 0         |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....                         | <b>2b(5)(A)</b> |            |           |
| <b>(B)</b> Other .....                                                                                     | <b>2b(5)(B)</b> |            |           |
| <b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....         | <b>2b(5)(C)</b> |            | 0         |

|                                                                                                 |        | (a) Amount | (b) Total |
|-------------------------------------------------------------------------------------------------|--------|------------|-----------|
| (6) Net investment gain (loss) from common/collective trusts .....                              | 2b(6)  |            |           |
| (7) Net investment gain (loss) from pooled separate accounts .....                              | 2b(7)  |            |           |
| (8) Net investment gain (loss) from master trust investment accounts .....                      | 2b(8)  |            | -642663   |
| (9) Net investment gain (loss) from 103-12 investment entities .....                            | 2b(9)  |            |           |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) ..... | 2b(10) |            |           |
| c Other income .....                                                                            | 2c     |            |           |
| d Total income. Add all <b>income</b> amounts in column (b) and enter total .....               | 2d     |            | 845357535 |

**Expenses**

|                                                                                      |       |          |           |
|--------------------------------------------------------------------------------------|-------|----------|-----------|
| e Benefit payment and payments to provide benefits:                                  |       |          |           |
| (1) Directly to participants or beneficiaries, including direct rollovers .....      | 2e(1) | 95207506 |           |
| (2) To insurance carriers for the provision of benefits .....                        | 2e(2) |          |           |
| (3) Other .....                                                                      | 2e(3) |          |           |
| (4) Total benefit payments. Add lines 2e(1) through (3) .....                        | 2e(4) |          | 95207506  |
| f Corrective distributions (see instructions) .....                                  | 2f    |          |           |
| g Certain deemed distributions of participant loans (see instructions) .....         | 2g    |          |           |
| h Interest expense .....                                                             | 2h    |          |           |
| i Administrative expenses: (1) Professional fees .....                               | 2i(1) |          |           |
| (2) Contract administrator fees .....                                                | 2i(2) |          |           |
| (3) Investment advisory and management fees .....                                    | 2i(3) |          |           |
| (4) Other .....                                                                      | 2i(4) | 47719273 |           |
| (5) Total administrative expenses. Add lines 2i(1) through (4) .....                 | 2i(5) |          | 47719273  |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total ..... | 2j    |          | 142926779 |

**Net Income and Reconciliation**

|                                                          |       |  |           |
|----------------------------------------------------------|-------|--|-----------|
| k Net income (loss). Subtract line 2j from line 2d ..... | 2k    |  | 702430756 |
| l Transfers of assets:                                   |       |  |           |
| (1) To this plan .....                                   | 2l(1) |  |           |
| (2) From this plan .....                                 | 2l(2) |  | -6515     |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☐ Yes ☒ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: DELOITTE & TOUCHE, LLC

(2) EIN: 13-3891517

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

|                                                                                                                                                                                                                                                                                                                  | Yes | No                                  | N/A | Amount |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-------------------------------------|-----|--------|
| <b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....                 |     | <input checked="" type="checkbox"/> |     |        |
| <b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) ..... |     | <input checked="" type="checkbox"/> |     |        |

|                                                                                                                                                                                                                         | Yes | No | N/A | Amount |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|--------|
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)                                          |     | X  |     |        |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)                               |     | X  |     |        |
| <b>e</b> Was this plan covered by a fidelity bond?                                                                                                                                                                      | X   |    |     | 500000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?                                                                                       |     | X  |     |        |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?                                                    |     | X  |     |        |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?                                          |     | X  |     |        |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)                                                                | X   |    |     |        |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) |     | X  |     |        |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?                                                           |     | X  |     |        |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan?                                                                                                                                            |     | X  |     |        |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)                                                                                                  |     | X  |     |        |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.                                     |     |    |     |        |
| <b>o</b> Did the plan trust incur unrelated business taxable income?                                                                                                                                                    |     |    |     |        |
| <b>p</b> Were in-service distributions made during the plan year?                                                                                                                                                       |     |    |     |        |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| 5b(1) Name of plan(s) | 5b(2) EIN(s) | 5b(3) PN(s) |
|-----------------------|--------------|-------------|
| UPS RETIREMENT PLAN   | 95-1732075   | 001         |
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ..... ☒ Yes ☐ No ☐ Not determined

## Part V Trust Information

**6a** Name of trust

**6b** Trust's EIN

**6c** Name of trustee or custodian

**6d** Trustee's or custodian's telephone number

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2015</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015

|                                                                                                                |                                                                    |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>UPS PENSION PLAN</u>                                                               | <b>B</b> Three-digit plan number (PN) ▶<br><u>022</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>UNITED PARCEL SERVICE OF AMERICA, INC.</u> | <b>D</b> Employer Identification Number (EIN)<br><u>95-1732075</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                                                                                       |          |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                                                                                                 | <b>1</b> |            |
| <b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): _____<br><br><b>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.</b> |          |            |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                                                                                       | <b>3</b> | <u>236</u> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                           |                                         |                             |                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------|-----------------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? .....                                                                                                                                                                                                                                                      | <input type="checkbox"/> Yes            | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |
| <b>If the plan is a defined benefit plan, go to line 8.</b>                                                                                                                                                                                                                                                                                                               |                                         |                             |                                         |
| <b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. <b>Date:</b> Month _____ Day _____ Year _____<br><b>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.</b> |                                         |                             |                                         |
| <b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....                                                                                                                                                                                                                            | <b>6a</b>                               |                             |                                         |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....                                                                                                                                                                                                                                                                                | <b>6b</b>                               |                             |                                         |
| <b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....                                                                                                                                                                                                                           | <b>6c</b>                               |                             |                                         |
| <b>If you completed line 6c, skip lines 8 and 9.</b>                                                                                                                                                                                                                                                                                                                      |                                         |                             |                                         |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....                                                                                                                                                                                                                                                                        | <input type="checkbox"/> Yes            | <input type="checkbox"/> No | <input type="checkbox"/> N/A            |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? .....                                                                                               | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A            |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                             |                                   |                                   |                               |                                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|
| <b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. .... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input checked="" type="checkbox"/> No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                              |                              |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....                                                      | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                    | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

|           |                                                                                                                                                                                                                                                      |            |  |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>14</b> | Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:                                                                                                                    |            |  |
|           | <b>a</b> The current year .....                                                                                                                                                                                                                      | <b>14a</b> |  |
|           | <b>b</b> The plan year immediately preceding the current plan year .....                                                                                                                                                                             | <b>14b</b> |  |
|           | <b>c</b> The second preceding plan year .....                                                                                                                                                                                                        | <b>14c</b> |  |
| <b>15</b> | Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:                                                                         |            |  |
|           | <b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....                                                                                                                                                | <b>15a</b> |  |
|           | <b>b</b> The corresponding number for the second preceding plan year .....                                                                                                                                                                           | <b>15b</b> |  |
| <b>16</b> | Information with respect to any employers who withdrew from the plan during the preceding plan year:                                                                                                                                                 |            |  |
|           | <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                                                                                                             | <b>16a</b> |  |
|           | <b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....                                                                               | <b>16b</b> |  |
| <b>17</b> | If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... <input type="checkbox"/> |            |  |

|                |                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------|
| <b>Part VI</b> | <b>Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans</b> |
|----------------|---------------------------------------------------------------------------------------------------|

|           |                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>18</b> | If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... <input type="checkbox"/> |
| <b>19</b> | If the total number of participants is 1,000 or more, complete lines (a) through (c)                                                                                                                                                                                                                                                                                                                  |
|           | <b>a</b> Enter the percentage of plan assets held as:<br>Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%                                                                                                                                                                                                                                        |
|           | <b>b</b> Provide the average duration of the combined investment-grade and high-yield debt:<br><input type="checkbox"/> 0-3 years <input type="checkbox"/> 3-6 years <input type="checkbox"/> 6-9 years <input type="checkbox"/> 9-12 years <input type="checkbox"/> 12-15 years <input type="checkbox"/> 15-18 years <input type="checkbox"/> 18-21 years <input type="checkbox"/> 21 years or more  |
|           | <b>c</b> What duration measure was used to calculate line 19(b)?<br><input type="checkbox"/> Effective duration <input type="checkbox"/> Macaulay duration <input type="checkbox"/> Modified duration <input type="checkbox"/> Other (specify): _____                                                                                                                                                 |

|                 |                                 |
|-----------------|---------------------------------|
| <b>Part VII</b> | <b>IRS Compliance Questions</b> |
|-----------------|---------------------------------|

|                                                                                                                                                                                                                                                                                |                                                          |                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| <b>20a</b> Is the plan a 401(k) plan? .....                                                                                                                                                                                                                                    | <input type="checkbox"/> Yes                             | <input type="checkbox"/> No                              |
| <b>20b</b> If "Yes," how does the 401(k) plan satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under sections 401(k)(3) and 401(m)(2)? .....                                                              | <input type="checkbox"/> Design-based safe harbor method | <input type="checkbox"/> ADP/ACP test                    |
| <b>20c</b> If the ADP/ACP test is used, did the 401(k) plan perform ADP/ACP testing for the plan year using the "current year testing method" for nonhighly compensated employees (Treas. Reg sections 1.401(k)-2(a)(2)(ii) and 1.401(m)-2(a)(2)(ii))? .....                   | <input type="checkbox"/> Yes                             | <input type="checkbox"/> No                              |
| <b>21a</b> Check the box to indicate the method used by the plan to satisfy the coverage requirements under section 410(b): .....                                                                                                                                              | <input type="checkbox"/> Ratio percentage test           | <input type="checkbox"/> Average benefit test            |
| <b>21b</b> Does the plan satisfy the coverage and nondiscrimination tests of sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? .....                                                                           | <input type="checkbox"/> Yes                             | <input type="checkbox"/> No                              |
| <b>22a</b> Has the plan been timely amended for all required tax law changes? .....                                                                                                                                                                                            | <input type="checkbox"/> Yes                             | <input type="checkbox"/> No <input type="checkbox"/> N/A |
| <b>22b</b> Date the last plan amendment/restatement for the required tax law changes was adopted ____/____/____. Enter the applicable code _____. (See instructions for tax law changes and codes).                                                                            |                                                          |                                                          |
| <b>22c</b> If the plan sponsor is an adopter of a pre-approved master and prototype (M&P) or volume submitter plan that is subject to a favorable IRS opinion or advisory letter, enter the date of that favorable letter ____/____/____ and the letter's serial number _____. |                                                          |                                                          |
| <b>22d</b> If the plan is an individually-designed plan and received a favorable determination letter from the IRS, enter the date of the plan's last favorable determination letter ____/____/____.                                                                           |                                                          |                                                          |
| <b>23</b> Is the Plan maintained in a U.S. territory (i.e., Puerto Rico (if no election under ERISA section 1022(i)(2) has been made), American Samoa, Guam, the Commonwealth of the Northern Mariana Islands or the U.S. Virgin Islands)? .....                               | <input type="checkbox"/> Yes                             | <input type="checkbox"/> No                              |

# UPS Pension Plan

Employer ID No.: 95-1732075  
Plan Number: 022

Financial Statements as of and for the  
Years Ended December 31, 2015 and 2014,  
Supplemental Schedule as of December 31, 2015,  
and Independent Auditors' Report

# UPS PENSION PLAN

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## **INDEPENDENT AUDITORS' REPORT**

To the Administrative Committee of  
the UPS Pension Plan:

We have audited the accompanying financial statements of the UPS Pension Plan (the "Plan"), which comprise the statements of net assets available for pension benefits as of December 31, 2015 and 2014, and the related statements of changes in net assets available for pension benefits for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

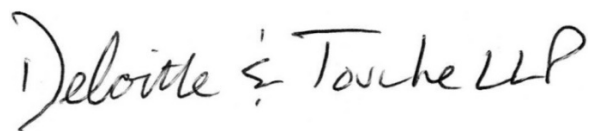
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the UPS Pension Plan as of December 31, 2015 and 2014, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 5, 6, and 7 to the financial statements, as of December 31, 2015 and 2014, substantially all of the Plan's investments consist of an undivided interest in the UPS Group Trust. At December 31, 2015 and 2014, the Plan's undivided interest was approximately 20% and 18%, respectively, of total UPS Group Trust investments. At December 31, 2015 and 2014, the UPS Group Trust held assets valued at \$8.425 billion and \$8.298 billion, respectively (28% and 27% of total UPS Group Trust investments for 2015 and 2014, respectively), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by fund managers, general partners, or other parties.

## **Report on Supplemental Schedule**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2015, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedule is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 17, 2016

## UPS PENSION PLAN

### STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2015 AND 2014 (In millions)

---

|                                               | 2015           | 2014           |
|-----------------------------------------------|----------------|----------------|
| ASSETS:                                       |                |                |
| Investments—at fair value:                    |                |                |
| Plan interest in the UPS Master Trust         | \$5,719        | \$5,465        |
| Investments held outside the UPS Master Trust | <u>-</u>       | <u>1</u>       |
| Total investments                             | 5,719          | 5,466          |
| Contributions receivable                      | <u>449</u>     | <u>-</u>       |
| NET ASSETS AVAILABLE FOR BENEFITS             | <u>\$6,168</u> | <u>\$5,466</u> |

See notes to financial statements.

## UPS PENSION PLAN

### STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In millions)

---

|                                                                             | 2015           | 2014           |
|-----------------------------------------------------------------------------|----------------|----------------|
| NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year                 | <u>\$5,466</u> | <u>\$4,866</u> |
| ADDITIONS:                                                                  |                |                |
| Employer Contributions                                                      | 846            | 192            |
| Net investment income/(loss)—interest in UPS Master Trust investment income | <u>(1)</u>     | <u>505</u>     |
| Total additions                                                             | <u>845</u>     | <u>697</u>     |
| DEDUCTIONS:                                                                 |                |                |
| Benefits paid to Plan beneficiaries                                         | 95             | 81             |
| Administrative expenses:                                                    |                |                |
| Fees and commissions                                                        | 1              | 1              |
| Insurance premiums to Pension Benefit Guaranty Corporation                  | <u>47</u>      | <u>15</u>      |
| Total deductions                                                            | <u>143</u>     | <u>97</u>      |
| NET INCREASE                                                                | <u>702</u>     | <u>600</u>     |
| NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year                       | <u>\$6,168</u> | <u>\$5,466</u> |

See notes to financial statements.

# UPS PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

---

### 1. DESCRIPTION OF THE PLAN

The following description of the UPS Pension Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

**General**—The Plan was established on January 1, 1973, and has been amended periodically. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and is a noncontributory, defined benefit pension plan for certain employees of United Parcel Service, Inc. (the "Plan Sponsor") and subsidiary companies (together, "UPS") who are covered by a collective bargaining agreement, which provides for their participation in the Plan.

**Contributions**—Contributions to the Plan are made solely by UPS. UPS's funding policy is to contribute amounts that will at least satisfy the minimum funding requirements of ERISA, but do not exceed the maximum tax-deductible requirements of the Internal Revenue Code (IRC) as provided by the Plan's independent actuary. In accordance with this funding policy, UPS contributed \$846 million and \$192 million to the Plan for the years ended December 31, 2015 and 2014, respectively. Included in these amounts was a \$449 million contribution payment made for 2015, which was remitted on September 1, 2016, and is shown as contributions receivable in the statements of net assets available for Benefits. UPS met the minimum funding requirements of ERISA for the years ended December 31, 2015 and 2014.

**Eligibility**—The current provisions of the Plan generally provide that an eligible employee automatically becomes a participant on January 1 or July 1 immediately following the date that the person meets both of the following requirements:

- a. The employee is at least 21 years old.
- b. The employee has completed at least 750 paid hours of service during the first 12 months of hire or during any calendar year thereafter.
- c. The part-time employee has completed at least 375 paid hours of service during the first 12 months of hire or during any calendar year thereafter.

**Pension Benefits**—Benefits are payable based on the years of vesting credit, as defined, as either single-life or joint annuity benefits, as follows:

- a. Upon completion of five years of vesting credit, the full benefit amount will be paid at normal retirement age, as defined by the Plan.
- b. Upon completion of 10 years of vesting credit, a reduced amount may be paid, provided that the participant is at least 50 years of age (55 years of age for some employee groups).

- c. Regardless of age, if an employee has completed at least 10 years of vesting credit and becomes totally and permanently disabled, a disability benefit amount will be paid.
- d. Upon completion of five years of vesting credit, a partial or full benefit amount may be paid as defined by the Plan in the event of a participant's death.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates**—The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

**Master Trust**—As of December 31, 2015 and 2014, substantially, all of the Plan's investment assets are held in a trust account at Bank of New York Mellon (the "Trustee") and consist of an undivided interest in an investment account of the UPS Group Trust (the "Master Trust"), a master trust established by the Company and administered by the Trustee (see Note 5).

**Risks and Uncertainties**—The Plan and the Master Trust utilize various investment securities, including common and preferred stocks, corporate debt instruments, US government securities, money market funds, collective trust funds, registered investment companies, 103-12 investment entities, partnerships, joint ventures, and real estate. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumption pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Investment Valuation and Income Recognition**—Investments are stated at fair value. If available, quoted market prices are used to value investments. Certain investments' estimated fair value is based on unobservable inputs that are not corroborated by observable market data, and are thus classified as Level 3. Investments that do not have a readily determinable fair value, provide a net asset value (NAV) (or its equivalent) developed consistent with Financial Accounting Standards Board (FASB) measurement principles as of December 31, are valued using NAV as a practical expedient. The investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in totals in tables shown in Notes 6 and 7. See a further description in Notes 6 and 7. Purchases and sales are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Payment of Benefits**—Benefit payments to participants are recorded upon distribution.

**Expenses**—Administrative expenses of the Plan are paid by the Plan, as provided in the Plan document.

**Subsequent Events**—For the year ended December 31, 2015, subsequent events were evaluated through October 17, 2016, the date the financial statements were issued.

**New Accounting Standards**—The accounting standards initially adopted in 2015 are described below.

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to present certain investments for which NAV is used as a practical expedient to measure fair value within the fair value hierarchy table. Instead, those investments are required to be included as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance in the statements of net assets available for benefits. ASU No. 2015-07 is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan elected to early adopt ASU No. 2015-07 as of December 31, 2015, as permitted, and has applied ASU No. 2015-07 retrospectively, as required. The Plan presents the investment disclosures required by this new guidance in Notes 6 and 7. There are no effects on the statements of net assets available for plan benefits or the changes therein.

In July 2015, FASB issued ASU No. 2015-12, *Part II: Plan Investment Disclosures*. The new guidance is effective for all entities for reporting periods beginning after December 15, 2015, and early adoption is permitted. The update simplifies the disclosure requirements by eliminating the disclosure of: significant investment strategies for an investment fund when using the NAV practical expedient, the net appreciation or depreciation in fair value of investment by general type, and the disclosure of individual investments with a value equal to or greater than 5% of net assets available for benefits. The Plan has elected to early adopt ASU No. 2015-12 as of December 31, 2015, as permitted, and has applied the provisions of ASU No. 2015-12 retrospectively, as required. Certain historical disclosures that are no longer required have been removed. There are no effects on the statements of net assets available for plan benefits or the changes therein.

### **3. PLAN TERMINATION**

Although it has not expressed any intention to do so, UPS has the right under the Plan, in certain circumstances, to discontinue its contributions at any time and, subject to collective bargaining for represented employees, to terminate the Plan.

In the event of termination of the Plan, the Plan assets shall be allocated in accordance with priorities specified in Section 4044 of ERISA. Generally, Section 4044 provides the following priorities:

- a. The lowest benefit in pay status for at least three years (or which would have been if the participant had retired that long ago)
- b. Other insured benefits
- c. Other noninsured, nonforfeitable benefits

d. All other benefits

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), if the Plan terminates. Generally, the PBGC guarantees most vested normal-age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits, should the Plan terminate at some future time, will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits, the priority of those benefits to be paid, and may also depend on the level of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may not be provided at all.

#### **4. ACCUMULATED PLAN BENEFITS**

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances—retirement, death, disability, and termination of employment—are included to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

Benefits under the Plan are based on either (1) the higher of the regular pension benefit or service pension benefit for those employees whose benefit is calculated as a set dollar amount for each year of service provided; or (2) employees' average compensation during the highest five consecutive calendar years of pensionable pay during the 10-year period ending on the earlier of the participant's termination date, date of death, or Plan termination date.

The actuarial present value of accumulated plan benefits is determined by an independent actuary. The amount results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts of interest) and the probability of payment (by means of decrements, such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of December 31, 2015 and 2014, are as follows:

|                        | <b>2015</b>                                                                                                                                                    | <b>2014</b>                                                                                                                                                    |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality              | The RP-2014 healthy blue collar mortality with improvement adjustment after 2007; mortality improvement converges to 0.5% in 2022 based on the RPEC_2014 model | The RP-2014 healthy blue collar mortality with improvement adjustment after 2007; mortality improvement converges to 0.5% in 2022 based on the RPEC_2014 model |
| Discount rate          | 8.75%                                                                                                                                                          | 8.75%                                                                                                                                                          |
| Average retirement age | 61.9                                                                                                                                                           | 60.4                                                                                                                                                           |

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present values of the Plan's accumulated plan benefits as of December 31, 2015 and 2014, are as follows (in millions):

|                                                                | <b>2015</b>    | <b>2014</b>    |
|----------------------------------------------------------------|----------------|----------------|
| Vested benefits:                                               |                |                |
| Other participants                                             | \$2,903        | \$2,610        |
| Participants and/or beneficiaries currently receiving benefits | <u>707</u>     | <u>585</u>     |
| Total vested benefits                                          | 3,610          | 3,195          |
| Nonvested benefits                                             | <u>203</u>     | <u>354</u>     |
| Total actuarial present value of accumulated plan benefits     | <u>\$3,813</u> | <u>\$3,549</u> |

The changes in the actuarial present values of the Plan's accumulated plan benefits for the years ended December 31, 2015 and 2014, are as follows (in millions):

|                                                                        |                |
|------------------------------------------------------------------------|----------------|
| Actuarial present value of accumulated plan benefits—December 31, 2013 | \$3,097        |
| Increase (decrease) during the year attributable to:                   |                |
| Additional benefits accumulated                                        | 116            |
| Benefit payments                                                       | (81)           |
| Actuarial assumption changes*                                          | 82             |
| Plan amendments**                                                      | 43             |
| Actuarial loss                                                         | 24             |
| Decrease in the discount period                                        | <u>268</u>     |
| Actuarial present value of accumulated plan benefits—December 31, 2014 | 3,549          |
| Increase (decrease) during the year attributable to:                   |                |
| Additional benefits accumulated                                        | 108            |
| Benefit payments                                                       | (95)           |
| Actuarial assumption changes***                                        | (132)          |
| Actuarial loss                                                         | 67             |
| Decrease in the discount period                                        | <u>316</u>     |
| Actuarial present value of accumulated plan benefits—December 31, 2015 | <u>\$3,813</u> |

\* The impact of actuarial assumption changes is due to changes in the mortality rate assumption.

\*\* The Plan experienced increases in the present value of accumulated plan benefits due to a teamsters benefit enhancement through a plan amendment effective April 25, 2014.

\*\*\* The impact of the assumption changes is due to annual mortality assumption updates and updates to the retirement rates, termination rates, transfer rates, percent married, spouse age difference assumption, commencement age for deferred participants, forms of payment elected, future service assumption, and the reciprocity load for Teamsters based on a demographic assumption study conducted in 2015.

## 5. INTEREST IN MASTER TRUST

As of December 31, 2015 and 2014, substantially all of the Plan's investment assets are held in a trust account at the Trustee and consist of an undivided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of trust assets with the assets of the Plan for investment and administrative purposes. Although assets of multiple plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income and administrative expenses are allocated by the

Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

The fair value of net assets and investments of the Master Trust as at December 31, 2015 and 2014, is summarized as follows (in millions):

|                                                                          | <b>2015</b>     | <b>2014</b>     |
|--------------------------------------------------------------------------|-----------------|-----------------|
| Investments:                                                             |                 |                 |
| U.S. government securities                                               | \$ 4,366        | \$ 6,091        |
| 103-12 investment entities—hedge funds                                   | 365             | 347             |
| Common and collective trusts                                             | 2,665           | 3,161           |
| Common and preferred stock                                               | 9,082           | 7,793           |
| Corporate debt instruments                                               | 4,105           | 3,677           |
| Interest-bearing cash                                                    | 36              | 196             |
| Derivative instruments and other investments                             | 356             | 394             |
| Partnerships, joint ventures, and real estate                            | 8,084           | 7,944           |
| Purchase options                                                         | -               | 53              |
| Registered investment companies                                          | <u>923</u>      | <u>592</u>      |
| Total investments                                                        | <u>29,982</u>   | <u>30,248</u>   |
| Unsettled securities transactions receivable (payable):                  |                 |                 |
| Interest and dividends                                                   | 72              | 58              |
| Due from brokers                                                         | 153             | 25              |
| Other receivables                                                        | 1,161           | -               |
| Accrued expenses                                                         | (1)             | (1)             |
| Other receivable (payable)                                               | <u>(294)</u>    | <u>(324)</u>    |
| Total unsettled securities transactions<br>receivable (payable)          | <u>1,091</u>    | <u>(242)</u>    |
| Net assets of the Master Trust                                           | <u>\$31,073</u> | <u>\$30,006</u> |
| Plan's interest in net assets of the Master Trust                        | <u>\$ 6,168</u> | <u>\$ 5,465</u> |
| Plan's interest in Master Trust as a percentage of the<br>total, rounded | <u>20 %</u>     | <u>18 %</u>     |

The net investment earnings of the Master Trust for the years ended December 31, 2015 and 2014, are summarized below (in millions):

|                                                              | <b>2015</b>   | <b>2014</b>    |
|--------------------------------------------------------------|---------------|----------------|
| Dividend and interest income                                 | \$ 432        | \$ 388         |
| Net (depreciation) appreciation in fair value of investments | (324)         | 2,585          |
| Master Trust administrative expenses                         | <u>(95)</u>   | <u>(87)</u>    |
| Investment income of Master Trust                            | <u>\$ 13</u>  | <u>\$2,886</u> |
| Plan's interest in investment income of Master Trust         | <u>\$ (1)</u> | <u>\$ 505</u>  |

## 6. INVESTMENTS

As of December 31, 2015 and 2014, the Plan's investments are presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

Pension assets utilizing Level 1 inputs include fair values of equity investments, corporate debt instruments, and U.S. government securities that were determined by closing prices for those securities traded on national stock exchanges, while securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are valued at the mean between the last reported bid and asked prices.

Level 2 assets include certain bonds that are valued based on yields currently available on comparable securities of other issues with similar credit ratings, mortgage-backed securities that are valued based on cash flow and yield models using acceptable modeling and pricing conventions, and certain investments that are pooled with other investments held by the trustee in a commingled employee benefit trust fund. The investments in the commingled funds, including collective trust funds, are valued by taking the percentage owned by the respective plan in the underlying NAV of the trust fund, which was determined in accordance with the paragraph above.

Certain investments' estimated fair value is based on unobservable inputs that are not corroborated by observable market data, and are thus classified as Level 3. These investments include certain corporate debt instruments.

Investments that do not have a readily determinable fair value, and which provide a NAV (or its equivalent) developed consistent with FASB measurement principles, are valued using NAV as a practical expedient. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in the totals in tables shown in Notes 6 and 7. These investments include hedge funds, real estate investments, and private equity funds. The commingled funds are valued using NAVs, adjusted, as appropriate, for investment fund-specific inputs determined to be significant to the valuation. Investments in hedge funds are valued using reported NAVs as of December 31. These assets are primarily invested in a portfolio of diversified, direct investments, and funds of hedge funds. Real estate investments and private equity funds are valued using fair values per the most recent partnership audited financial reports, adjusted, as appropriate, for any lag between the date of the financial reports and December 31. The real estate investments consist of U.S. and non-U.S. real estate investments and are broadly diversified. The fair values may, due to the inherent uncertainty of valuation for those alternative investments,

differ significantly from the values that would have been used had a ready market for the alternative investments existed, and any differences could be material.

Approximately \$2,665 million and \$3,161 million of the Master Trust assets are held in commingled stock funds that each hold U.S. and international public market securities for the years ended December 31, 2015 and 2014, respectively. The Master Trust held the right to liquidate its positions in these commingled stock funds at any time, subject only to a brief notification period. No unfunded commitment existed with respect to these commingled stock funds at December 31, 2015 and 2014.

The Master Trust holds approximately \$3,085 million and \$2,755 million of its investments in limited partnership interests in various private equity and real estate funds as of December 31, 2015 and 2014, respectively. Limited provision exists for the redemption of these interests by the general partners that invest these funds until the end of the term of the partnerships, typically ranging between 10 and 15 years from the date of inception. An active secondary market exists for similar partnership interests, although no particular value (discount or premium) can be guaranteed. At December 31, 2015 and 2014, unfunded commitments to such limited partnerships totaling approximately \$1,855 million and \$1,010 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

As of December 31, 2015 and 2014, approximately \$4,186 million and \$4,372 million of the Master Trust investments are held in 23 and 20 hedge funds, respectively, that pursue multiple strategies to diversify risk and reduce volatility. Most of the funds require between two and three months' notice and allow redemptions either quarterly or semiannually while some allow for redemption after only a brief notification period with no restriction on redemption frequency. At December 31, 2015 and 2014, unfunded commitments to such hedge funds totaling approximately \$234 million and \$169 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

As of December 31, 2015 and 2014, none of the Master Trust's investments represented 5% or more of total Master Trust net assets available for benefits.

## **7. FAIR VALUE MEASUREMENTS**

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

With the adoption of ASU No. 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified as Levels 1, 2 or 3 in the below fair value hierarchy, but are included in the total.

The following table sets forth by level, within the fair value hierarchy, a summary of the Master Trust investment assets at fair value (in millions) at December 31, 2015.

| <b>Master Trust Assets</b>                                          |                                                                                       |                                                                      |                                                              |                  |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|------------------|
| <b>Fair Value Measurements at December 31, 2015**</b>               |                                                                                       |                                                                      |                                                              |                  |
|                                                                     | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>     |
| Common and preferred stocks:                                        |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | \$ 1,155                                                                              | \$ -                                                                 | \$ -                                                         | \$ 1,155         |
| Fixed income                                                        | -                                                                                     | 16                                                                   | -                                                            | 16               |
| Global equity                                                       | 2,959                                                                                 | -                                                                    | -                                                            | 2,959            |
| International equity                                                | 2,102                                                                                 | -                                                                    | -                                                            | 2,102            |
| Real estate                                                         | 139                                                                                   | 136                                                                  | -                                                            | 275              |
| U.S. large cap                                                      | 2,256                                                                                 | -                                                                    | -                                                            | 2,256            |
| U.S. small cap                                                      | <u>319</u>                                                                            | <u>-</u>                                                             | <u>-</u>                                                     | <u>319</u>       |
| Total common and preferred stocks                                   | <u>8,930</u>                                                                          | <u>152</u>                                                           | <u>-</u>                                                     | <u>9,082</u>     |
| Corporate debt instruments                                          | <u>-</u>                                                                              | <u>4,099</u>                                                         | <u>6</u>                                                     | <u>4,105</u>     |
| U.S. government securities                                          | <u>4,102</u>                                                                          | <u>264</u>                                                           | <u>-</u>                                                     | <u>4,366</u>     |
| Interest-bearing cash                                               | <u>23</u>                                                                             | <u>13</u>                                                            | <u>-</u>                                                     | <u>36</u>        |
| Registered investment companies:                                    |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | 433                                                                                   | -                                                                    | -                                                            | 433              |
| Fixed income                                                        | -                                                                                     | 60                                                                   | -                                                            | 60               |
| Global equity                                                       | 66                                                                                    | -                                                                    | -                                                            | 66               |
| U.S. large cap                                                      | 364                                                                                   | -                                                                    | -                                                            | 364              |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>-</u>         |
| Total registered investment companies                               | <u>863</u>                                                                            | <u>60</u>                                                            | <u>-</u>                                                     | <u>923</u>       |
| Collective trust funds:                                             |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 131                                                                  | -                                                            | 131              |
| International equity                                                | -                                                                                     | 805                                                                  | -                                                            | 805              |
| U.S. large cap                                                      | -                                                                                     | 1,685                                                                | -                                                            | 1,685            |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>44</u>                                                            | <u>-</u>                                                     | <u>44</u>        |
| Total collective trust funds                                        | <u>-</u>                                                                              | <u>2,665</u>                                                         | <u>-</u>                                                     | <u>2,665</u>     |
| Derivative instruments and other investments                        | <u>1</u>                                                                              | <u>355</u>                                                           | <u>-</u>                                                     | <u>356</u>       |
| Partnerships, joint ventures, and real estate:                      |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 29                                                                   | -                                                            | 29               |
| Fixed income—measured at net asset value*                           | -                                                                                     | -                                                                    | -                                                            | 1,148            |
| Global equity                                                       | 1                                                                                     | -                                                                    | -                                                            | 1                |
| Hedge funds—measured at net asset value*                            | -                                                                                     | -                                                                    | -                                                            | 3,821            |
| Private equity—measured at net asset value*                         | -                                                                                     | -                                                                    | -                                                            | 1,475            |
| Real estate—measured at net asset value*                            | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>1,610</u>     |
| Total partnerships, joint ventures, and real estate                 | <u>1</u>                                                                              | <u>29</u>                                                            | <u>-</u>                                                     | <u>8,084</u>     |
| 103-12 investment entities—hedge funds—measured at net asset value* | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>365</u>       |
| Total investments                                                   | <u>\$ 13,920</u>                                                                      | <u>\$ 7,637</u>                                                      | <u>\$ 6</u>                                                  | <u>\$ 29,982</u> |

The following table sets forth by level, within the fair value hierarchy, a summary of the Master Trust investment assets at fair value (in millions) at December 31, 2014:

| <b>Master Trust Assets</b>                                          |                                                                                       |                                                                      |                                                              |                  |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|------------------|
| <b>Fair Value Measurements at December 31, 2014**</b>               |                                                                                       |                                                                      |                                                              |                  |
|                                                                     | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>     |
| Common and preferred stocks:                                        |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | \$ 1,204                                                                              | \$ -                                                                 | \$ -                                                         | \$ 1,204         |
| Fixed income                                                        | 6                                                                                     | 30                                                                   | -                                                            | 36               |
| Global equity                                                       | 2,848                                                                                 | -                                                                    | -                                                            | 2,848            |
| International equity                                                | 1,086                                                                                 | -                                                                    | -                                                            | 1,086            |
| Real estate                                                         | 325                                                                                   | 23                                                                   | -                                                            | 348              |
| U.S. large cap                                                      | 1,924                                                                                 | -                                                                    | -                                                            | 1,924            |
| U.S. small cap                                                      | 347                                                                                   | -                                                                    | -                                                            | 347              |
| Total common and preferred stocks                                   | <u>7,740</u>                                                                          | <u>53</u>                                                            | <u>-</u>                                                     | <u>7,793</u>     |
| Corporate debt instruments                                          | <u>-</u>                                                                              | <u>3,669</u>                                                         | <u>8</u>                                                     | <u>3,677</u>     |
| U.S. government securities                                          | <u>5,477</u>                                                                          | <u>614</u>                                                           | <u>-</u>                                                     | <u>6,091</u>     |
| Interest-bearing cash                                               | <u>12</u>                                                                             | <u>184</u>                                                           | <u>-</u>                                                     | <u>196</u>       |
| Registered investment companies:                                    |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | 223                                                                                   | -                                                                    | -                                                            | 223              |
| Fixed income                                                        | -                                                                                     | 84                                                                   | -                                                            | 84               |
| Global equity                                                       | 53                                                                                    | -                                                                    | -                                                            | 53               |
| U.S. large cap                                                      | 129                                                                                   | -                                                                    | -                                                            | 129              |
| U.S. small cap                                                      | 103                                                                                   | -                                                                    | -                                                            | 103              |
| Total registered investment companies                               | <u>508</u>                                                                            | <u>84</u>                                                            | <u>-</u>                                                     | <u>592</u>       |
| Collective trust funds:                                             |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 119                                                                  | -                                                            | 119              |
| International equity                                                | -                                                                                     | 816                                                                  | -                                                            | 816              |
| U.S. large cap                                                      | -                                                                                     | 2,180                                                                | -                                                            | 2,180            |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>46</u>                                                            | <u>-</u>                                                     | <u>46</u>        |
| Total collective trust funds                                        | <u>-</u>                                                                              | <u>3,161</u>                                                         | <u>-</u>                                                     | <u>3,161</u>     |
| Derivative instruments and other investments                        | <u>22</u>                                                                             | <u>372</u>                                                           | <u>-</u>                                                     | <u>394</u>       |
| Partnerships, joint ventures, and real estate:                      |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | -                                                                    | -                                                            | 25               |
| Fixed income—measured at net asset value*                           | -                                                                                     | -                                                                    | -                                                            | 1,138            |
| Global equity                                                       | 1                                                                                     | -                                                                    | -                                                            | 1                |
| Hedge funds—measured at net asset value*                            | -                                                                                     | -                                                                    | -                                                            | 4,025            |
| Private equity—measured at net asset value*                         | -                                                                                     | -                                                                    | -                                                            | 1,377            |
| Real estate—measured at net asset value*                            | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>1,378</u>     |
| Total partnerships, joint ventures, and real estate                 | <u>1</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>7,944</u>     |
| 103-12 investment entities—hedge funds—measured at net asset value* | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>347</u>       |
| Purchase options                                                    | <u>-</u>                                                                              | <u>53</u>                                                            | <u>-</u>                                                     | <u>53</u>        |
| Total investments                                                   | <u>\$ 13,760</u>                                                                      | <u>\$ 8,190</u>                                                      | <u>\$ 8</u>                                                  | <u>\$ 30,248</u> |

\* In accordance with ASU No. 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been

classified in the fair value hierarchy. Amounts presented are intended to permit reconciliation to total investments in Note 5.

- \*\* The Investment Committee of the Master Trust has established and instituted the Investment Policy Statement (IPS) to implement and monitor investment strategies and/or guidelines across asset classes. The Master Trust's IPS addresses the below items such as establishing appropriate governance provisions; defining investment objectives; determining strategic asset allocation; monitoring and reporting the investments on a regular basis; appointing/dismissing investment managers, custodians, consultants, advisors; risk management (including various measures used to evaluate risk tolerance); determining/defining the mandates for investment managers; rebalancing of assets; and determining investment restrictions/prohibited investments.

The Master Trust's investment strategy is to invest the assets in accordance with applicable laws and regulations. The primary long-term objectives for the strategy are to: (1) provide for a reasonable amount of long-term growth of capital, with prudent exposure to risk; and protect the assets from erosion of purchasing power; (2) provide investment results that meet or exceed the Plan's actuarially assumed long-term rate of return; and (3) match the duration of the liabilities and assets of the Plan to reduce the potential risk of large employer contributions being necessary in the future. The Master Trust strives to meet these objectives by employing investment managers to actively manage assets within the guidelines and strategies set forth by the Investment Committee of the Master Trust. Performance of the Master Trust's investment managers is reviewed regularly and compared to applicable benchmarks.

Investments classified in prior years as Level 3 that are measured at fair value using the NAV per share (or its equivalent) practical expedient have been removed from the fair value hierarchy in accordance with retrospective adoption of recently updated accounting standards. As a result, a reclassification has been made to the prior year's plan asset classification table to conform to the current year's presentation.

The following table presents a roll-forward from the beginning to ending balances of the fair value measurements using significant unobservable inputs (Level 3) (in millions) for the years ended December 31, 2015 and 2014:

|                                    | <b>Corporate<br/>Debt<br/>Instruments</b> |
|------------------------------------|-------------------------------------------|
| Beginning balance—January 1, 2014  | \$ 38                                     |
| Actual return on assets:           |                                           |
| Assets held at end of year         | -                                         |
| Assets sold during the year        | -                                         |
| Purchases                          | 20                                        |
| Sales                              | (50)                                      |
| Settlements                        | -                                         |
| Transfers in and/or out of level 3 | -                                         |
|                                    | <hr/>                                     |
| Ending balance—December 31, 2014   | 8                                         |
| Actual return on assets:           |                                           |
| Assets held at end of year         | (1)                                       |
| Assets sold during the year        | -                                         |
| Purchases                          | 3                                         |
| Sales                              | (4)                                       |
| Settlements                        | -                                         |
| Transfers in and/or out of level 3 | -                                         |
|                                    | <hr/>                                     |
| Ending balance—December 31, 2015   | <u>\$ 6</u>                               |

The valuation methods as described in Note 6 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Master Trust is subject to master netting agreements, or netting arrangements, with certain counterparties. These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at prearranged exposure levels. Since different types of transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different master netting arrangement possibly resulting in the need for multiple agreements with a single counterparty. Master netting agreements are specific to each different asset type; therefore, they allow the Master Trust to close out and net its total exposure to a specified counterparty in the event of a default with respect to any and all the transactions governed under a single agreement with the counterparty.

The following is a summary by counterparty of the Master Trust's net exposure to derivative assets and liabilities, by financial instrument type, available for offset and net of collateral under master agreements at December 31, 2015 (in millions):

|  | (i) | (ii) | (iii) = (i)–(ii) | (iv)                                                                                    |  | (v) = (iii)–(iv) |
|--|-----|------|------------------|-----------------------------------------------------------------------------------------|--|------------------|
|  |     |      |                  | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |  |                  |
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At December 31, 2015, the Master Trust held \$7 million in collateral under derivative instruments and \$316 million in collateral under securities lending agreements. The Master Trust pledged collateral of \$14 million under derivative contracts at December 31, 2015.

The following is a summary by counterparty of the Master Trust's net exposure to derivative assets and liabilities, by financial instrument type, available for offset, and net of collateral under master agreements at December 31, 2014 (in millions):

|                             | (i)                                         | (ii)                                                                                         | (iii) = (i)–(ii)                                                                                           | (iv)                                                                                    | (v) = (iii)–(iv)               |
|-----------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------|
|                             |                                             |                                                                                              |                                                                                                            | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                                |
|                             |                                             | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Net Amounts<br>of Assets<br>Presented<br>in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits |                                                                                         |                                |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Assets |                                                                                              |                                                                                                            | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Received |
| Credit default swaps        | \$ 5                                        | \$ -                                                                                         | \$ 5                                                                                                       | \$ -                                                                                    | \$ -                           |
| Forward contracts           | 217                                         | (210)                                                                                        | 7                                                                                                          | -                                                                                       | (3)                            |
| Futures contracts           | 23                                          | (1)                                                                                          | 22                                                                                                         | -                                                                                       | -                              |
| Interest rate swaps         | 1                                           | -                                                                                            | 1                                                                                                          | -                                                                                       | (1)                            |
| Securities lending          | 123                                         | -                                                                                            | 123                                                                                                        | -                                                                                       | (123)                          |
| Repurchase agreements       | 178                                         | -                                                                                            | 178                                                                                                        | (131)                                                                                   | (47)                           |
| Swaptions                   | <u>2</u>                                    | <u>(2)</u>                                                                                   | <u>-</u>                                                                                                   | <u>-</u>                                                                                | <u>-</u>                       |
| Total financial instruments | \$549                                       | \$(213)                                                                                      | \$336                                                                                                      | \$(131)                                                                                 | \$(174)                        |

|                             | (i)                                              | (ii)                                                                                         | (iii) = (i)–(ii)                                                                                                | (iv)                                                                                    | (v) = (iii)–(iv)              |
|-----------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------|
|                             |                                                  |                                                                                              |                                                                                                                 | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                               |
|                             |                                                  | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Net Amounts<br>of Liabilities<br>Presented<br>in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Pledged |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Liabilities |                                                                                              |                                                                                                                 |                                                                                         | Net<br>Amount                 |
| Credit default swaps        | \$ -                                             | \$ -                                                                                         | \$ -                                                                                                            | \$ -                                                                                    | \$ -                          |
| Forward contracts           | 210                                              | (210)                                                                                        | -                                                                                                               | -                                                                                       | -                             |
| Futures contracts           | 1                                                | (1)                                                                                          | -                                                                                                               | -                                                                                       | -                             |
| Interest rate swaps         | 1                                                | -                                                                                            | 1                                                                                                               | (1)                                                                                     | -                             |
| Securities lending          | -                                                | -                                                                                            | -                                                                                                               | -                                                                                       | -                             |
| Repurchase agreements       | -                                                | -                                                                                            | -                                                                                                               | -                                                                                       | -                             |
| Swaptions                   | 3                                                | (2)                                                                                          | 1                                                                                                               | -                                                                                       | (1)                           |
| Total financial instruments | \$215                                            | \$(213)                                                                                      | \$ 2                                                                                                            | \$ (1)                                                                                  | \$ (1)                        |
|                             |                                                  |                                                                                              |                                                                                                                 |                                                                                         | \$ -                          |

At December 31, 2014, the Master Trust held \$5 million in collateral under derivative instruments, \$131 million in collateral under securities lending agreements, and \$50 million under repurchase agreements. The Master Trust pledged collateral of \$11 million under derivative contracts at December 31, 2014.

## 8. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated June 17, 2015, that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter; however, the Company and Plan management

believe that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC, and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2014.

## **9. EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

All Plan and Master Trust investments are managed by Bank of New York Mellon. Bank of New York Mellon is the trustee as defined by the Plan, and therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management and associated trustee/custodian services incurred to the trustee were \$0.1 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

United Parcel Service, Inc. provides accounting and administrative services to the Plan. United Parcel Service, Inc. is the Plan sponsor, and therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for administrative services were \$0.2 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

## **10. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

A reconciliation of amounts reported in the Plan's financial statements to amounts reported in the Form 5500 is required by ERISA. The Plan's net assets available for benefits per the financial statements agrees to the Form 5500 for the years ended December 31, 2015 and 2014.

\* \* \* \* \*

## **SUPPLEMENTAL SCHEDULE**

## UPS PENSION PLAN

**Employer ID No.: 95-1732075**

**Plan Number: 022**

**FORM 5500, SCHEDULE H, PART IV, LINE 4i—SCHEDULE OF ASSETS  
 (HELD AT YEAR END)  
 AS OF DECEMBER 31, 2015**

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| (a) Identity of Issuer, Borrower, Lessor,<br>or Similar Party | (b) Description of Investment,<br>Including Maturity Date,<br>Rate of Interest, Collateral,<br>and Par or Maturity Value | (c) Cost          | (d) Current<br>Value |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| REGISTERED INVESTMENT COMPANIES:                              |                                                                                                                          |                   |                      |
| Dreyfus Treas & Agency Cash<br>996085247                      | VAR RT 12/31/2049 DD 04/09/97                                                                                            | <u>\$ 173,764</u> | <u>\$ 173,764</u>    |
| TOTAL INVESTMENTS HELD OUTSIDE OF<br>MASTER TRUST             |                                                                                                                          | <u>\$ 173,764</u> | <u>\$ 173,764</u>    |

# UPS Pension Plan

Employer ID No.: 95-1732075  
Plan Number: 022

Financial Statements as of and for the  
Years Ended December 31, 2015 and 2014,  
Supplemental Schedule as of December 31, 2015,  
and Independent Auditors' Report

# UPS PENSION PLAN

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## **INDEPENDENT AUDITORS' REPORT**

To the Administrative Committee of  
the UPS Pension Plan:

We have audited the accompanying financial statements of the UPS Pension Plan (the "Plan"), which comprise the statements of net assets available for pension benefits as of December 31, 2015 and 2014, and the related statements of changes in net assets available for pension benefits for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

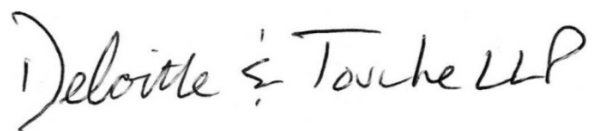
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the UPS Pension Plan as of December 31, 2015 and 2014, and the changes in its financial status for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 5, 6, and 7 to the financial statements, as of December 31, 2015 and 2014, substantially all of the Plan's investments consist of an undivided interest in the UPS Group Trust. At December 31, 2015 and 2014, the Plan's undivided interest was approximately 20% and 18%, respectively, of total UPS Group Trust investments. At December 31, 2015 and 2014, the UPS Group Trust held assets valued at \$8.425 billion and \$8.298 billion, respectively (28% and 27% of total UPS Group Trust investments for 2015 and 2014, respectively), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by fund managers, general partners, or other parties.

## **Report on Supplemental Schedule**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2015, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedule is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in dark ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 17, 2016

## UPS PENSION PLAN

### STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2015 AND 2014 (In millions)

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|                                               | 2015           | 2014           |
|-----------------------------------------------|----------------|----------------|
| ASSETS:                                       |                |                |
| Investments—at fair value:                    |                |                |
| Plan interest in the UPS Master Trust         | \$5,719        | \$5,465        |
| Investments held outside the UPS Master Trust | <u>-</u>       | <u>1</u>       |
| Total investments                             | 5,719          | 5,466          |
| Contributions receivable                      | <u>449</u>     | <u>-</u>       |
| NET ASSETS AVAILABLE FOR BENEFITS             | <u>\$6,168</u> | <u>\$5,466</u> |

See notes to financial statements.

## UPS PENSION PLAN

### STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In millions)

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|                                                                             | 2015           | 2014           |
|-----------------------------------------------------------------------------|----------------|----------------|
| NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year                 | <u>\$5,466</u> | <u>\$4,866</u> |
| ADDITIONS:                                                                  |                |                |
| Employer Contributions                                                      | 846            | 192            |
| Net investment income/(loss)—interest in UPS Master Trust investment income | <u>(1)</u>     | <u>505</u>     |
| Total additions                                                             | <u>845</u>     | <u>697</u>     |
| DEDUCTIONS:                                                                 |                |                |
| Benefits paid to Plan beneficiaries                                         | 95             | 81             |
| Administrative expenses:                                                    |                |                |
| Fees and commissions                                                        | 1              | 1              |
| Insurance premiums to Pension Benefit Guaranty Corporation                  | <u>47</u>      | <u>15</u>      |
| Total deductions                                                            | <u>143</u>     | <u>97</u>      |
| NET INCREASE                                                                | <u>702</u>     | <u>600</u>     |
| NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year                       | <u>\$6,168</u> | <u>\$5,466</u> |

See notes to financial statements.

# UPS PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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### 1. DESCRIPTION OF THE PLAN

The following description of the UPS Pension Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

**General**—The Plan was established on January 1, 1973, and has been amended periodically. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and is a noncontributory, defined benefit pension plan for certain employees of United Parcel Service, Inc. (the "Plan Sponsor") and subsidiary companies (together, "UPS") who are covered by a collective bargaining agreement, which provides for their participation in the Plan.

**Contributions**—Contributions to the Plan are made solely by UPS. UPS's funding policy is to contribute amounts that will at least satisfy the minimum funding requirements of ERISA, but do not exceed the maximum tax-deductible requirements of the Internal Revenue Code (IRC) as provided by the Plan's independent actuary. In accordance with this funding policy, UPS contributed \$846 million and \$192 million to the Plan for the years ended December 31, 2015 and 2014, respectively. Included in these amounts was a \$449 million contribution payment made for 2015, which was remitted on September 1, 2016, and is shown as contributions receivable in the statements of net assets available for Benefits. UPS met the minimum funding requirements of ERISA for the years ended December 31, 2015 and 2014.

**Eligibility**—The current provisions of the Plan generally provide that an eligible employee automatically becomes a participant on January 1 or July 1 immediately following the date that the person meets both of the following requirements:

- a. The employee is at least 21 years old.
- b. The employee has completed at least 750 paid hours of service during the first 12 months of hire or during any calendar year thereafter.
- c. The part-time employee has completed at least 375 paid hours of service during the first 12 months of hire or during any calendar year thereafter.

**Pension Benefits**—Benefits are payable based on the years of vesting credit, as defined, as either single-life or joint annuity benefits, as follows:

- a. Upon completion of five years of vesting credit, the full benefit amount will be paid at normal retirement age, as defined by the Plan.
- b. Upon completion of 10 years of vesting credit, a reduced amount may be paid, provided that the participant is at least 50 years of age (55 years of age for some employee groups).

- c. Regardless of age, if an employee has completed at least 10 years of vesting credit and becomes totally and permanently disabled, a disability benefit amount will be paid.
- d. Upon completion of five years of vesting credit, a partial or full benefit amount may be paid as defined by the Plan in the event of a participant's death.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates**—The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

**Master Trust**—As of December 31, 2015 and 2014, substantially, all of the Plan's investment assets are held in a trust account at Bank of New York Mellon (the "Trustee") and consist of an undivided interest in an investment account of the UPS Group Trust (the "Master Trust"), a master trust established by the Company and administered by the Trustee (see Note 5).

**Risks and Uncertainties**—The Plan and the Master Trust utilize various investment securities, including common and preferred stocks, corporate debt instruments, US government securities, money market funds, collective trust funds, registered investment companies, 103-12 investment entities, partnerships, joint ventures, and real estate. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumption pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Investment Valuation and Income Recognition**—Investments are stated at fair value. If available, quoted market prices are used to value investments. Certain investments' estimated fair value is based on unobservable inputs that are not corroborated by observable market data, and are thus classified as Level 3. Investments that do not have a readily determinable fair value, provide a net asset value (NAV) (or its equivalent) developed consistent with Financial Accounting Standards Board (FASB) measurement principles as of December 31, are valued using NAV as a practical expedient. The investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in totals in tables shown in Notes 6 and 7. See a further description in Notes 6 and 7. Purchases and sales are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Payment of Benefits**—Benefit payments to participants are recorded upon distribution.

**Expenses**—Administrative expenses of the Plan are paid by the Plan, as provided in the Plan document.

**Subsequent Events**—For the year ended December 31, 2015, subsequent events were evaluated through October 17, 2016, the date the financial statements were issued.

**New Accounting Standards**—The accounting standards initially adopted in 2015 are described below.

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to present certain investments for which NAV is used as a practical expedient to measure fair value within the fair value hierarchy table. Instead, those investments are required to be included as a reconciling item so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance in the statements of net assets available for benefits. ASU No. 2015-07 is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan elected to early adopt ASU No. 2015-07 as of December 31, 2015, as permitted, and has applied ASU No. 2015-07 retrospectively, as required. The Plan presents the investment disclosures required by this new guidance in Notes 6 and 7. There are no effects on the statements of net assets available for plan benefits or the changes therein.

In July 2015, FASB issued ASU No. 2015-12, *Part II: Plan Investment Disclosures*. The new guidance is effective for all entities for reporting periods beginning after December 15, 2015, and early adoption is permitted. The update simplifies the disclosure requirements by eliminating the disclosure of: significant investment strategies for an investment fund when using the NAV practical expedient, the net appreciation or depreciation in fair value of investment by general type, and the disclosure of individual investments with a value equal to or greater than 5% of net assets available for benefits. The Plan has elected to early adopt ASU No. 2015-12 as of December 31, 2015, as permitted, and has applied the provisions of ASU No. 2015-12 retrospectively, as required. Certain historical disclosures that are no longer required have been removed. There are no effects on the statements of net assets available for plan benefits or the changes therein.

### **3. PLAN TERMINATION**

Although it has not expressed any intention to do so, UPS has the right under the Plan, in certain circumstances, to discontinue its contributions at any time and, subject to collective bargaining for represented employees, to terminate the Plan.

In the event of termination of the Plan, the Plan assets shall be allocated in accordance with priorities specified in Section 4044 of ERISA. Generally, Section 4044 provides the following priorities:

- a. The lowest benefit in pay status for at least three years (or which would have been if the participant had retired that long ago)
- b. Other insured benefits
- c. Other noninsured, nonforfeitable benefits

d. All other benefits

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), if the Plan terminates. Generally, the PBGC guarantees most vested normal-age retirement benefits, early retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive their benefits, should the Plan terminate at some future time, will depend on the sufficiency, at that time, of the Plan's net assets to provide those benefits, the priority of those benefits to be paid, and may also depend on the level of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may not be provided at all.

#### **4. ACCUMULATED PLAN BENEFITS**

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances—retirement, death, disability, and termination of employment—are included to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

Benefits under the Plan are based on either (1) the higher of the regular pension benefit or service pension benefit for those employees whose benefit is calculated as a set dollar amount for each year of service provided; or (2) employees' average compensation during the highest five consecutive calendar years of pensionable pay during the 10-year period ending on the earlier of the participant's termination date, date of death, or Plan termination date.

The actuarial present value of accumulated plan benefits is determined by an independent actuary. The amount results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts of interest) and the probability of payment (by means of decrements, such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The significant actuarial assumptions used in the valuations as of December 31, 2015 and 2014, are as follows:

|                        | <b>2015</b>                                                                                                                                                    | <b>2014</b>                                                                                                                                                    |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality              | The RP-2014 healthy blue collar mortality with improvement adjustment after 2007; mortality improvement converges to 0.5% in 2022 based on the RPEC_2014 model | The RP-2014 healthy blue collar mortality with improvement adjustment after 2007; mortality improvement converges to 0.5% in 2022 based on the RPEC_2014 model |
| Discount rate          | 8.75%                                                                                                                                                          | 8.75%                                                                                                                                                          |
| Average retirement age | 61.9                                                                                                                                                           | 60.4                                                                                                                                                           |

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present values of the Plan's accumulated plan benefits as of December 31, 2015 and 2014, are as follows (in millions):

|                                                                | <b>2015</b>    | <b>2014</b>    |
|----------------------------------------------------------------|----------------|----------------|
| Vested benefits:                                               |                |                |
| Other participants                                             | \$2,903        | \$2,610        |
| Participants and/or beneficiaries currently receiving benefits | <u>707</u>     | <u>585</u>     |
| Total vested benefits                                          | 3,610          | 3,195          |
| Nonvested benefits                                             | <u>203</u>     | <u>354</u>     |
| Total actuarial present value of accumulated plan benefits     | <u>\$3,813</u> | <u>\$3,549</u> |

The changes in the actuarial present values of the Plan's accumulated plan benefits for the years ended December 31, 2015 and 2014, are as follows (in millions):

|                                                                        |                |
|------------------------------------------------------------------------|----------------|
| Actuarial present value of accumulated plan benefits—December 31, 2013 | \$3,097        |
| Increase (decrease) during the year attributable to:                   |                |
| Additional benefits accumulated                                        | 116            |
| Benefit payments                                                       | (81)           |
| Actuarial assumption changes*                                          | 82             |
| Plan amendments**                                                      | 43             |
| Actuarial loss                                                         | 24             |
| Decrease in the discount period                                        | <u>268</u>     |
| Actuarial present value of accumulated plan benefits—December 31, 2014 | 3,549          |
| Increase (decrease) during the year attributable to:                   |                |
| Additional benefits accumulated                                        | 108            |
| Benefit payments                                                       | (95)           |
| Actuarial assumption changes***                                        | (132)          |
| Actuarial loss                                                         | 67             |
| Decrease in the discount period                                        | <u>316</u>     |
| Actuarial present value of accumulated plan benefits—December 31, 2015 | <u>\$3,813</u> |

\* The impact of actuarial assumption changes is due to changes in the mortality rate assumption.

\*\* The Plan experienced increases in the present value of accumulated plan benefits due to a teamsters benefit enhancement through a plan amendment effective April 25, 2014.

\*\*\* The impact of the assumption changes is due to annual mortality assumption updates and updates to the retirement rates, termination rates, transfer rates, percent married, spouse age difference assumption, commencement age for deferred participants, forms of payment elected, future service assumption, and the reciprocity load for Teamsters based on a demographic assumption study conducted in 2015.

## 5. INTEREST IN MASTER TRUST

As of December 31, 2015 and 2014, substantially all of the Plan's investment assets are held in a trust account at the Trustee and consist of an undivided interest in an investment account of the Master Trust, a master trust established by the Company and administered by the Trustee. Use of the Master Trust permits the commingling of trust assets with the assets of the Plan for investment and administrative purposes. Although assets of multiple plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income and administrative expenses are allocated by the

Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

The fair value of net assets and investments of the Master Trust as at December 31, 2015 and 2014, is summarized as follows (in millions):

|                                                                          | <b>2015</b>     | <b>2014</b>     |
|--------------------------------------------------------------------------|-----------------|-----------------|
| Investments:                                                             |                 |                 |
| U.S. government securities                                               | \$ 4,366        | \$ 6,091        |
| 103-12 investment entities—hedge funds                                   | 365             | 347             |
| Common and collective trusts                                             | 2,665           | 3,161           |
| Common and preferred stock                                               | 9,082           | 7,793           |
| Corporate debt instruments                                               | 4,105           | 3,677           |
| Interest-bearing cash                                                    | 36              | 196             |
| Derivative instruments and other investments                             | 356             | 394             |
| Partnerships, joint ventures, and real estate                            | 8,084           | 7,944           |
| Purchase options                                                         | -               | 53              |
| Registered investment companies                                          | <u>923</u>      | <u>592</u>      |
| Total investments                                                        | <u>29,982</u>   | <u>30,248</u>   |
| Unsettled securities transactions receivable (payable):                  |                 |                 |
| Interest and dividends                                                   | 72              | 58              |
| Due from brokers                                                         | 153             | 25              |
| Other receivables                                                        | 1,161           | -               |
| Accrued expenses                                                         | (1)             | (1)             |
| Other receivable (payable)                                               | <u>(294)</u>    | <u>(324)</u>    |
| Total unsettled securities transactions<br>receivable (payable)          | <u>1,091</u>    | <u>(242)</u>    |
| Net assets of the Master Trust                                           | <u>\$31,073</u> | <u>\$30,006</u> |
| Plan's interest in net assets of the Master Trust                        | <u>\$ 6,168</u> | <u>\$ 5,465</u> |
| Plan's interest in Master Trust as a percentage of the<br>total, rounded | <u>20 %</u>     | <u>18 %</u>     |

The net investment earnings of the Master Trust for the years ended December 31, 2015 and 2014, are summarized below (in millions):

|                                                              | <b>2015</b>   | <b>2014</b>    |
|--------------------------------------------------------------|---------------|----------------|
| Dividend and interest income                                 | \$ 432        | \$ 388         |
| Net (depreciation) appreciation in fair value of investments | (324)         | 2,585          |
| Master Trust administrative expenses                         | <u>(95)</u>   | <u>(87)</u>    |
| Investment income of Master Trust                            | <u>\$ 13</u>  | <u>\$2,886</u> |
| Plan's interest in investment income of Master Trust         | <u>\$ (1)</u> | <u>\$ 505</u>  |

## 6. INVESTMENTS

As of December 31, 2015 and 2014, the Plan's investments are presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust.

Pension assets utilizing Level 1 inputs include fair values of equity investments, corporate debt instruments, and U.S. government securities that were determined by closing prices for those securities traded on national stock exchanges, while securities traded in the over-the-counter market and listed securities for which no sale was reported on the valuation date are valued at the mean between the last reported bid and asked prices.

Level 2 assets include certain bonds that are valued based on yields currently available on comparable securities of other issues with similar credit ratings, mortgage-backed securities that are valued based on cash flow and yield models using acceptable modeling and pricing conventions, and certain investments that are pooled with other investments held by the trustee in a commingled employee benefit trust fund. The investments in the commingled funds, including collective trust funds, are valued by taking the percentage owned by the respective plan in the underlying NAV of the trust fund, which was determined in accordance with the paragraph above.

Certain investments' estimated fair value is based on unobservable inputs that are not corroborated by observable market data, and are thus classified as Level 3. These investments include certain corporate debt instruments.

Investments that do not have a readily determinable fair value, and which provide a NAV (or its equivalent) developed consistent with FASB measurement principles, are valued using NAV as a practical expedient. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in the totals in tables shown in Notes 6 and 7. These investments include hedge funds, real estate investments, and private equity funds. The commingled funds are valued using NAVs, adjusted, as appropriate, for investment fund-specific inputs determined to be significant to the valuation. Investments in hedge funds are valued using reported NAVs as of December 31. These assets are primarily invested in a portfolio of diversified, direct investments, and funds of hedge funds. Real estate investments and private equity funds are valued using fair values per the most recent partnership audited financial reports, adjusted, as appropriate, for any lag between the date of the financial reports and December 31. The real estate investments consist of U.S. and non-U.S. real estate investments and are broadly diversified. The fair values may, due to the inherent uncertainty of valuation for those alternative investments,

differ significantly from the values that would have been used had a ready market for the alternative investments existed, and any differences could be material.

Approximately \$2,665 million and \$3,161 million of the Master Trust assets are held in commingled stock funds that each hold U.S. and international public market securities for the years ended December 31, 2015 and 2014, respectively. The Master Trust held the right to liquidate its positions in these commingled stock funds at any time, subject only to a brief notification period. No unfunded commitment existed with respect to these commingled stock funds at December 31, 2015 and 2014.

The Master Trust holds approximately \$3,085 million and \$2,755 million of its investments in limited partnership interests in various private equity and real estate funds as of December 31, 2015 and 2014, respectively. Limited provision exists for the redemption of these interests by the general partners that invest these funds until the end of the term of the partnerships, typically ranging between 10 and 15 years from the date of inception. An active secondary market exists for similar partnership interests, although no particular value (discount or premium) can be guaranteed. At December 31, 2015 and 2014, unfunded commitments to such limited partnerships totaling approximately \$1,855 million and \$1,010 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

As of December 31, 2015 and 2014, approximately \$4,186 million and \$4,372 million of the Master Trust investments are held in 23 and 20 hedge funds, respectively, that pursue multiple strategies to diversify risk and reduce volatility. Most of the funds require between two and three months' notice and allow redemptions either quarterly or semiannually while some allow for redemption after only a brief notification period with no restriction on redemption frequency. At December 31, 2015 and 2014, unfunded commitments to such hedge funds totaling approximately \$234 million and \$169 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

As of December 31, 2015 and 2014, none of the Master Trust's investments represented 5% or more of total Master Trust net assets available for benefits.

## **7. FAIR VALUE MEASUREMENTS**

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

With the adoption of ASU No. 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified as Levels 1, 2 or 3 in the below fair value hierarchy, but are included in the total.

The following table sets forth by level, within the fair value hierarchy, a summary of the Master Trust investment assets at fair value (in millions) at December 31, 2015.

| <b>Master Trust Assets</b>                                          |                                                                                       |                                                                      |                                                              |                  |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|------------------|
| <b>Fair Value Measurements at December 31, 2015**</b>               |                                                                                       |                                                                      |                                                              |                  |
|                                                                     | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>     |
| Common and preferred stocks:                                        |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | \$ 1,155                                                                              | \$ -                                                                 | \$ -                                                         | \$ 1,155         |
| Fixed income                                                        | -                                                                                     | 16                                                                   | -                                                            | 16               |
| Global equity                                                       | 2,959                                                                                 | -                                                                    | -                                                            | 2,959            |
| International equity                                                | 2,102                                                                                 | -                                                                    | -                                                            | 2,102            |
| Real estate                                                         | 139                                                                                   | 136                                                                  | -                                                            | 275              |
| U.S. large cap                                                      | 2,256                                                                                 | -                                                                    | -                                                            | 2,256            |
| U.S. small cap                                                      | <u>319</u>                                                                            | <u>-</u>                                                             | <u>-</u>                                                     | <u>319</u>       |
| Total common and preferred stocks                                   | <u>8,930</u>                                                                          | <u>152</u>                                                           | <u>-</u>                                                     | <u>9,082</u>     |
| Corporate debt instruments                                          | <u>-</u>                                                                              | <u>4,099</u>                                                         | <u>6</u>                                                     | <u>4,105</u>     |
| U.S. government securities                                          | <u>4,102</u>                                                                          | <u>264</u>                                                           | <u>-</u>                                                     | <u>4,366</u>     |
| Interest-bearing cash                                               | <u>23</u>                                                                             | <u>13</u>                                                            | <u>-</u>                                                     | <u>36</u>        |
| Registered investment companies:                                    |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | 433                                                                                   | -                                                                    | -                                                            | 433              |
| Fixed income                                                        | -                                                                                     | 60                                                                   | -                                                            | 60               |
| Global equity                                                       | 66                                                                                    | -                                                                    | -                                                            | 66               |
| U.S. large cap                                                      | 364                                                                                   | -                                                                    | -                                                            | 364              |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>-</u>         |
| Total registered investment companies                               | <u>863</u>                                                                            | <u>60</u>                                                            | <u>-</u>                                                     | <u>923</u>       |
| Collective trust funds:                                             |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 131                                                                  | -                                                            | 131              |
| International equity                                                | -                                                                                     | 805                                                                  | -                                                            | 805              |
| U.S. large cap                                                      | -                                                                                     | 1,685                                                                | -                                                            | 1,685            |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>44</u>                                                            | <u>-</u>                                                     | <u>44</u>        |
| Total collective trust funds                                        | <u>-</u>                                                                              | <u>2,665</u>                                                         | <u>-</u>                                                     | <u>2,665</u>     |
| Derivative instruments and other investments                        | <u>1</u>                                                                              | <u>355</u>                                                           | <u>-</u>                                                     | <u>356</u>       |
| Partnerships, joint ventures, and real estate:                      |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 29                                                                   | -                                                            | 29               |
| Fixed income—measured at net asset value*                           | -                                                                                     | -                                                                    | -                                                            | 1,148            |
| Global equity                                                       | 1                                                                                     | -                                                                    | -                                                            | 1                |
| Hedge funds—measured at net asset value*                            | -                                                                                     | -                                                                    | -                                                            | 3,821            |
| Private equity—measured at net asset value*                         | -                                                                                     | -                                                                    | -                                                            | 1,475            |
| Real estate—measured at net asset value*                            | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>1,610</u>     |
| Total partnerships, joint ventures, and real estate                 | <u>1</u>                                                                              | <u>29</u>                                                            | <u>-</u>                                                     | <u>8,084</u>     |
| 103-12 investment entities—hedge funds—measured at net asset value* | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>365</u>       |
| Total investments                                                   | <u>\$ 13,920</u>                                                                      | <u>\$ 7,637</u>                                                      | <u>\$ 6</u>                                                  | <u>\$ 29,982</u> |

The following table sets forth by level, within the fair value hierarchy, a summary of the Master Trust investment assets at fair value (in millions) at December 31, 2014:

| <b>Master Trust Assets</b>                                          |                                                                                       |                                                                      |                                                              |                  |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|------------------|
| <b>Fair Value Measurements at December 31, 2014**</b>               |                                                                                       |                                                                      |                                                              |                  |
|                                                                     | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total</b>     |
| Common and preferred stocks:                                        |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | \$ 1,204                                                                              | \$ -                                                                 | \$ -                                                         | \$ 1,204         |
| Fixed income                                                        | 6                                                                                     | 30                                                                   | -                                                            | 36               |
| Global equity                                                       | 2,848                                                                                 | -                                                                    | -                                                            | 2,848            |
| International equity                                                | 1,086                                                                                 | -                                                                    | -                                                            | 1,086            |
| Real estate                                                         | 325                                                                                   | 23                                                                   | -                                                            | 348              |
| U.S. large cap                                                      | 1,924                                                                                 | -                                                                    | -                                                            | 1,924            |
| U.S. small cap                                                      | 347                                                                                   | -                                                                    | -                                                            | 347              |
| Total common and preferred stocks                                   | <u>7,740</u>                                                                          | <u>53</u>                                                            | <u>-</u>                                                     | <u>7,793</u>     |
| Corporate debt instruments                                          | <u>-</u>                                                                              | <u>3,669</u>                                                         | <u>8</u>                                                     | <u>3,677</u>     |
| U.S. government securities                                          | <u>5,477</u>                                                                          | <u>614</u>                                                           | <u>-</u>                                                     | <u>6,091</u>     |
| Interest-bearing cash                                               | <u>12</u>                                                                             | <u>184</u>                                                           | <u>-</u>                                                     | <u>196</u>       |
| Registered investment companies:                                    |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | 223                                                                                   | -                                                                    | -                                                            | 223              |
| Fixed income                                                        | -                                                                                     | 84                                                                   | -                                                            | 84               |
| Global equity                                                       | 53                                                                                    | -                                                                    | -                                                            | 53               |
| U.S. large cap                                                      | 129                                                                                   | -                                                                    | -                                                            | 129              |
| U.S. small cap                                                      | 103                                                                                   | -                                                                    | -                                                            | 103              |
| Total registered investment companies                               | <u>508</u>                                                                            | <u>84</u>                                                            | <u>-</u>                                                     | <u>592</u>       |
| Collective trust funds:                                             |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | 119                                                                  | -                                                            | 119              |
| International equity                                                | -                                                                                     | 816                                                                  | -                                                            | 816              |
| U.S. large cap                                                      | -                                                                                     | 2,180                                                                | -                                                            | 2,180            |
| U.S. small cap                                                      | <u>-</u>                                                                              | <u>46</u>                                                            | <u>-</u>                                                     | <u>46</u>        |
| Total collective trust funds                                        | <u>-</u>                                                                              | <u>3,161</u>                                                         | <u>-</u>                                                     | <u>3,161</u>     |
| Derivative instruments and other investments                        | <u>22</u>                                                                             | <u>372</u>                                                           | <u>-</u>                                                     | <u>394</u>       |
| Partnerships, joint ventures, and real estate:                      |                                                                                       |                                                                      |                                                              |                  |
| Emerging markets                                                    | -                                                                                     | -                                                                    | -                                                            | 25               |
| Fixed income—measured at net asset value*                           | -                                                                                     | -                                                                    | -                                                            | 1,138            |
| Global equity                                                       | 1                                                                                     | -                                                                    | -                                                            | 1                |
| Hedge funds—measured at net asset value*                            | -                                                                                     | -                                                                    | -                                                            | 4,025            |
| Private equity—measured at net asset value*                         | -                                                                                     | -                                                                    | -                                                            | 1,377            |
| Real estate—measured at net asset value*                            | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>1,378</u>     |
| Total partnerships, joint ventures, and real estate                 | <u>1</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>7,944</u>     |
| 103-12 investment entities—hedge funds—measured at net asset value* | <u>-</u>                                                                              | <u>-</u>                                                             | <u>-</u>                                                     | <u>347</u>       |
| Purchase options                                                    | <u>-</u>                                                                              | <u>53</u>                                                            | <u>-</u>                                                     | <u>53</u>        |
| Total investments                                                   | <u>\$ 13,760</u>                                                                      | <u>\$ 8,190</u>                                                      | <u>\$ 8</u>                                                  | <u>\$ 30,248</u> |

\* In accordance with ASU No. 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been

classified in the fair value hierarchy. Amounts presented are intended to permit reconciliation to total investments in Note 5.

- \*\* The Investment Committee of the Master Trust has established and instituted the Investment Policy Statement (IPS) to implement and monitor investment strategies and/or guidelines across asset classes. The Master Trust's IPS addresses the below items such as establishing appropriate governance provisions; defining investment objectives; determining strategic asset allocation; monitoring and reporting the investments on a regular basis; appointing/dismissing investment managers, custodians, consultants, advisors; risk management (including various measures used to evaluate risk tolerance); determining/defining the mandates for investment managers; rebalancing of assets; and determining investment restrictions/prohibited investments.

The Master Trust's investment strategy is to invest the assets in accordance with applicable laws and regulations. The primary long-term objectives for the strategy are to: (1) provide for a reasonable amount of long-term growth of capital, with prudent exposure to risk; and protect the assets from erosion of purchasing power; (2) provide investment results that meet or exceed the Plan's actuarially assumed long-term rate of return; and (3) match the duration of the liabilities and assets of the Plan to reduce the potential risk of large employer contributions being necessary in the future. The Master Trust strives to meet these objectives by employing investment managers to actively manage assets within the guidelines and strategies set forth by the Investment Committee of the Master Trust. Performance of the Master Trust's investment managers is reviewed regularly and compared to applicable benchmarks.

Investments classified in prior years as Level 3 that are measured at fair value using the NAV per share (or its equivalent) practical expedient have been removed from the fair value hierarchy in accordance with retrospective adoption of recently updated accounting standards. As a result, a reclassification has been made to the prior year's plan asset classification table to conform to the current year's presentation.

The following table presents a roll-forward from the beginning to ending balances of the fair value measurements using significant unobservable inputs (Level 3) (in millions) for the years ended December 31, 2015 and 2014:

|                                    | <b>Corporate<br/>Debt<br/>Instruments</b> |
|------------------------------------|-------------------------------------------|
| Beginning balance—January 1, 2014  | \$ 38                                     |
| Actual return on assets:           |                                           |
| Assets held at end of year         | -                                         |
| Assets sold during the year        | -                                         |
| Purchases                          | 20                                        |
| Sales                              | (50)                                      |
| Settlements                        | -                                         |
| Transfers in and/or out of level 3 | <u>-</u>                                  |
| Ending balance—December 31, 2014   | 8                                         |
| Actual return on assets:           |                                           |
| Assets held at end of year         | (1)                                       |
| Assets sold during the year        | -                                         |
| Purchases                          | 3                                         |
| Sales                              | (4)                                       |
| Settlements                        | -                                         |
| Transfers in and/or out of level 3 | <u>-</u>                                  |
| Ending balance—December 31, 2015   | <u>\$ 6</u>                               |

The valuation methods as described in Note 6 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Master Trust is subject to master netting agreements, or netting arrangements, with certain counterparties. These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at prearranged exposure levels. Since different types of transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different master netting arrangement possibly resulting in the need for multiple agreements with a single counterparty. Master netting agreements are specific to each different asset type; therefore, they allow the Master Trust to close out and net its total exposure to a specified counterparty in the event of a default with respect to any and all the transactions governed under a single agreement with the counterparty.

The following is a summary by counterparty of the Master Trust's net exposure to derivative assets and liabilities, by financial instrument type, available for offset and net of collateral under master agreements at December 31, 2015 (in millions):

|                             | (i)                                         | (ii)                                                                                         | (iii) = (i)–(ii)                                        | (iv)                                                                                    |                                | (v) = (iii)–(iv) |
|-----------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------|------------------|
|                             |                                             |                                                                                              |                                                         | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                                |                  |
|                             |                                             |                                                                                              | Net Amounts<br>of Assets<br>Presented<br>in the         |                                                                                         |                                |                  |
|                             |                                             |                                                                                              | Statement of                                            |                                                                                         |                                |                  |
|                             |                                             |                                                                                              | Net Assets                                              |                                                                                         |                                |                  |
|                             |                                             |                                                                                              | Available for                                           |                                                                                         |                                |                  |
|                             |                                             |                                                                                              | Benefits                                                |                                                                                         |                                |                  |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Assets | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Statement of<br>Net Assets<br>Available for<br>Benefits | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Received | Net<br>Amount    |
| Credit default swaps        | \$ 1                                        | \$ -                                                                                         | \$ 1                                                    | \$ -                                                                                    | \$ -                           | \$ 1             |
| Forward contracts           | 443                                         | (1)                                                                                          | 442                                                     | -                                                                                       | -                              | 442              |
| Futures contracts           | 2                                           | -                                                                                            | 2                                                       | -                                                                                       | -                              | 2                |
| Interest rate swaps         | -                                           | -                                                                                            | -                                                       | -                                                                                       | (7)                            | (7)              |
| Securities lending          | 310                                         | -                                                                                            | 310                                                     | (316)                                                                                   | -                              | (6)              |
| Repurchase agreements       | -                                           | -                                                                                            | -                                                       | -                                                                                       | -                              | -                |
| Swaptions                   | <u>1</u>                                    | <u>(1)</u>                                                                                   | <u>-</u>                                                | <u>-</u>                                                                                | <u>-</u>                       | <u>-</u>         |
| Total financial instruments | <u>\$757</u>                                | <u>\$ (2)</u>                                                                                | <u>\$755</u>                                            | <u>\$(316)</u>                                                                          | <u>\$ (7)</u>                  | <u>\$432</u>     |

|                             | (i)                                              | (ii)                                                                                         | (iii) = (i)–(ii)                                        | (iv)                                                                                    |                               | (v) = (iii)–(iv) |
|-----------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------|------------------|
|                             |                                                  |                                                                                              |                                                         | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                               |                  |
|                             |                                                  |                                                                                              | Net Amounts<br>of Liabilities<br>Presented<br>in the    |                                                                                         |                               |                  |
|                             |                                                  |                                                                                              | Statement of                                            |                                                                                         |                               |                  |
|                             |                                                  |                                                                                              | Net Assets                                              |                                                                                         |                               |                  |
|                             |                                                  |                                                                                              | Available for                                           |                                                                                         |                               |                  |
|                             |                                                  |                                                                                              | Benefits                                                |                                                                                         |                               |                  |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Liabilities | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Statement of<br>Net Assets<br>Available for<br>Benefits | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Pledged | Net<br>Amount    |
| Credit default swaps        | \$ -                                             | \$ -                                                                                         | \$ -                                                    | \$ -                                                                                    | \$ -                          | \$ -             |
| Forward contracts           | 35                                               | (1)                                                                                          | 34                                                      | -                                                                                       | (1)                           | 33               |
| Futures contracts           | 17                                               | -                                                                                            | 17                                                      | -                                                                                       | (13)                          | 4                |
| Interest rate swaps         | 1                                                | -                                                                                            | 1                                                       | -                                                                                       | -                             | 1                |
| Securities lending          | -                                                | -                                                                                            | -                                                       | -                                                                                       | -                             | -                |
| Repurchase agreements       | -                                                | -                                                                                            | -                                                       | -                                                                                       | -                             | -                |
| Swaptions                   | <u>1</u>                                         | <u>(1)</u>                                                                                   | <u>-</u>                                                | <u>-</u>                                                                                | <u>-</u>                      | <u>-</u>         |
| Total financial instruments | <u>\$54</u>                                      | <u>\$ (2)</u>                                                                                | <u>\$52</u>                                             | <u>\$ -</u>                                                                             | <u>\$(14)</u>                 | <u>\$38</u>      |

At December 31, 2015, the Master Trust held \$7 million in collateral under derivative instruments and \$316 million in collateral under securities lending agreements. The Master Trust pledged collateral of \$14 million under derivative contracts at December 31, 2015.

The following is a summary by counterparty of the Master Trust's net exposure to derivative assets and liabilities, by financial instrument type, available for offset, and net of collateral under master agreements at December 31, 2014 (in millions):

|                             | (i)                                         | (ii)                                                                                         | (iii) = (i)–(ii)                                                                                           | (iv)                                                                                    | (v) = (iii)–(iv)               |
|-----------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------|
|                             |                                             |                                                                                              |                                                                                                            | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                                |
|                             |                                             | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits | Net Amounts<br>of Assets<br>Presented<br>in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits |                                                                                         |                                |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Assets |                                                                                              |                                                                                                            | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Received |
| Credit default swaps        | \$ 5                                        | \$ -                                                                                         | \$ 5                                                                                                       | \$ -                                                                                    | \$ -                           |
| Forward contracts           | 217                                         | (210)                                                                                        | 7                                                                                                          | -                                                                                       | (3)                            |
| Futures contracts           | 23                                          | (1)                                                                                          | 22                                                                                                         | -                                                                                       | -                              |
| Interest rate swaps         | 1                                           | -                                                                                            | 1                                                                                                          | -                                                                                       | (1)                            |
| Securities lending          | 123                                         | -                                                                                            | 123                                                                                                        | -                                                                                       | (123)                          |
| Repurchase agreements       | 178                                         | -                                                                                            | 178                                                                                                        | (131)                                                                                   | (47)                           |
| Swaptions                   | <u>2</u>                                    | <u>(2)</u>                                                                                   | <u>-</u>                                                                                                   | <u>-</u>                                                                                | <u>-</u>                       |
| Total financial instruments | \$549                                       | \$(213)                                                                                      | \$336                                                                                                      | \$(131)                                                                                 | \$(174)                        |

|                             | (i)                                              | (ii)                                                                                         | (iii) = (i)–(ii)                                                                                                | (iv)                                                                                    | (v) = (iii)–(iv)              |               |
|-----------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------------|---------------|
|                             |                                                  |                                                                                              |                                                                                                                 | Gross Amounts Not<br>Offset in the Statement<br>of Net Assets<br>Available for Benefits |                               |               |
|                             |                                                  |                                                                                              | Net Amounts<br>of Liabilities<br>Presented<br>in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits |                                                                                         |                               |               |
| Instrument Type             | Gross<br>Amounts of<br>Recognized<br>Liabilities | Gross<br>Amounts<br>Offset in the<br>Statement of<br>Net Assets<br>Available for<br>Benefits |                                                                                                                 | Financial<br>Instruments                                                                | Cash<br>Collateral<br>Pledged | Net<br>Amount |
| Credit default swaps        | \$ -                                             | \$ -                                                                                         | \$ -                                                                                                            | \$ -                                                                                    | \$ -                          | \$ -          |
| Forward contracts           | 210                                              | (210)                                                                                        | -                                                                                                               | -                                                                                       | -                             | -             |
| Futures contracts           | 1                                                | (1)                                                                                          | -                                                                                                               | -                                                                                       | -                             | -             |
| Interest rate swaps         | 1                                                | -                                                                                            | 1                                                                                                               | (1)                                                                                     | -                             | -             |
| Securities lending          | -                                                | -                                                                                            | -                                                                                                               | -                                                                                       | -                             | -             |
| Repurchase agreements       | -                                                | -                                                                                            | -                                                                                                               | -                                                                                       | -                             | -             |
| Swaptions                   | <u>3</u>                                         | <u>(2)</u>                                                                                   | <u>1</u>                                                                                                        | <u>-</u>                                                                                | <u>(1)</u>                    | <u>-</u>      |
| Total financial instruments | \$215                                            | \$(213)                                                                                      | \$ 2                                                                                                            | \$ (1)                                                                                  | \$ (1)                        | \$ -          |

At December 31, 2014, the Master Trust held \$5 million in collateral under derivative instruments, \$131 million in collateral under securities lending agreements, and \$50 million under repurchase agreements. The Master Trust pledged collateral of \$11 million under derivative contracts at December 31, 2014.

## 8. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated June 17, 2015, that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter; however, the Company and Plan management

believe that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC, and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2014.

## **9. EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

All Plan and Master Trust investments are managed by Bank of New York Mellon. Bank of New York Mellon is the trustee as defined by the Plan, and therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management and associated trustee/custodian services incurred to the trustee were \$0.1 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

United Parcel Service, Inc. provides accounting and administrative services to the Plan. United Parcel Service, Inc. is the Plan sponsor, and therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for administrative services were \$0.2 million and \$0.2 million for the years ended December 31, 2015 and 2014, respectively.

## **10. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

A reconciliation of amounts reported in the Plan's financial statements to amounts reported in the Form 5500 is required by ERISA. The Plan's net assets available for benefits per the financial statements agrees to the Form 5500 for the years ended December 31, 2015 and 2014.

\* \* \* \* \*

## **SUPPLEMENTAL SCHEDULE**

## UPS PENSION PLAN

**Employer ID No.: 95-1732075**

**Plan Number: 022**

**FORM 5500, SCHEDULE H, PART IV, LINE 4i—SCHEDULE OF ASSETS  
 (HELD AT YEAR END)  
 AS OF DECEMBER 31, 2015**

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| (a) Identity of Issuer, Borrower, Lessor,<br>or Similar Party | (b) Description of Investment,<br>Including Maturity Date,<br>Rate of Interest, Collateral,<br>and Par or Maturity Value | (c) Cost          | (d) Current<br>Value |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| REGISTERED INVESTMENT COMPANIES:                              |                                                                                                                          |                   |                      |
| Dreyfus Treas & Agency Cash<br>996085247                      | VAR RT 12/31/2049 DD 04/09/97                                                                                            | <u>\$ 173,764</u> | <u>\$ 173,764</u>    |
| TOTAL INVESTMENTS HELD OUTSIDE OF<br>MASTER TRUST             |                                                                                                                          | <u>\$ 173,764</u> | <u>\$ 173,764</u>    |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB  
UPS PENSION PLAN**

**EIN: 95-1732075/PN: 022**

**Schedule SB, Line 24 — Change in Assumptions**

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The following non-prescribed assumptions were changed from the prior valuation:

1. Assumed administrative expenses were changed from \$18,000,000 in 2014 to \$48,000,000 in 2015.
2. Retirement rates, termination rates, transfer rates, deferred vested benefit commencement date, form of payment elections, percent married, spouse age difference and part-time participant service accrual assumptions were updated to reflect plan experience from 2011 to 2014 for funding results in both 2016 and 2015 upon receipt of IRS approval for assumption changes on November 30, 2016.

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB  
UPS PENSION PLAN**

**EIN: 95-1732075/PN: 022**

**Schedule SB, Line 25 — Change in Method**

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The valuation software used to produce the actuarial information submitted on this schedule has been changed and such modification may be considered to be a method change. The percentage changes in funding target, target normal cost and plan assets due to the refinements in the software are each less than 2% (disregarding the effects of any changes that are automatically approved under final IRC 430 regulations), and the modifications to the software were designed to produce results no less accurate than the results produced by the software prior to the change. Therefore the change in funding method due to a change in valuation software receives automatic approval under IRS Announcement 2010-3.

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**

**Schedule SB, Line 26 — Schedule of Active Participant Data**

Includes active participants and transfers (active employees no longer accruing benefits in the Pension Plan)

| Attained Age |                      | Total Years of Credited Service |        |        |          |          |          |          |          |          |         | Total   |
|--------------|----------------------|---------------------------------|--------|--------|----------|----------|----------|----------|----------|----------|---------|---------|
|              |                      | <1                              | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up |         |
| <25          | Count                | 693                             | 10,116 | 697    |          |          |          |          |          |          |         | 11,506  |
|              | Average Compensation | N/A                             | N/A    | N/A    |          |          |          |          |          |          |         | N/A     |
| 25 to 29     | Count                | 495                             | 8,702  | 8,920  | 451      |          |          |          |          |          |         | 18,568  |
|              | Average Compensation | N/A                             | N/A    | N/A    | 89,287   |          |          |          |          |          |         | 89,287  |
| 30 to 34     | Count                | 268                             | 6,323  | 6,967  | 4,464    | 266      |          |          |          |          |         | 18,288  |
|              | Average Compensation | N/A                             | N/A    | 93,707 | 89,999   | 88,289   |          |          |          |          |         | 91,346  |
| 35 to 39     | Count                | 216                             | 5,483  | 6,542  | 3,267    | 1,657    | 77       |          |          |          |         | 17,242  |
|              | Average Compensation | N/A                             | N/A    | 98,894 | 94,952   | 92,670   | 102,744  |          |          |          |         | 95,869  |
| 40 to 44     | Count                | 230                             | 5,194  | 8,964  | 3,646    | 1,729    | 853      | 61       |          |          |         | 20,677  |
|              | Average Compensation | N/A                             | 68,342 | 81,176 | 88,809   | 96,015   | 95,513   | 93,279   |          |          |         | 90,969  |
| 45 to 49     | Count                | 237                             | 6,131  | 9,013  | 4,241    | 1,712    | 895      | 678      | 35       |          |         | 22,942  |
|              | Average Compensation | N/A                             | 43,399 | 91,279 | 91,965   | 94,867   | 95,177   | 94,858   | 98,138   |          |         | 93,800  |
| 50 to 54     | Count                | 166                             | 5,516  | 6,386  | 3,651    | 1,845    | 889      | 747      | 334      | 50       |         | 19,584  |
|              | Average Compensation | N/A                             | N/A    | 93,370 | 92,002   | 92,914   | 93,973   | 98,513   | 96,397   | 94,566   |         | 94,888  |
| 55 to 59     | Count                | 88                              | 2,724  | 4,224  | 2,514    | 1,539    | 831      | 565      | 362      | 317      | 11      | 13,175  |
|              | Average Compensation | N/A                             | N/A    | 91,434 | 93,010   | 92,913   | 91,420   | 96,537   | 95,037   | 89,469   | N/A     | 93,543  |
| 60 to 64     | Count                | 19                              | 664    | 1,254  | 1,156    | 703      | 360      | 282      | 139      | 136      | 51      | 4,764   |
|              | Average Compensation | N/A                             | N/A    | 88,938 | 94,201   | 89,581   | 92,985   | 97,217   | 95,706   | 96,770   | 101,928 | 94,262  |
| 65 to 69     | Count                | 4                               | 103    | 307    | 343      | 223      | 92       | 75       | 34       | 44       | 15      | 1,240   |
|              | Average Compensation | N/A                             | N/A    | 76,913 | 86,609   | 83,903   | 93,833   | 97,968   | 89,070   | 103,267  | N/A     | 91,334  |
| 70 & up      | Count                | 1                               | 5      | 44     | 87       | 59       | 8        | 6        | 6        | 8        | 1       | 225     |
|              | Average Compensation | N/A                             | N/A    | N/A    | 120,702  | 70,038   | N/A      | N/A      | N/A      | N/A      | N/A     | 87,135  |
| Total        | Count                | 2,417                           | 50,961 | 53,318 | 23,820   | 9,733    | 4,005    | 2,414    | 910      | 555      | 78      | 148,211 |
|              | Average Compensation | N/A                             | 55,870 | 90,377 | 91,819   | 93,417   | 93,834   | 96,894   | 95,229   | 94,421   | 101,480 | 93,639  |

Average Age = 41.1

Average service = 8.0

\*Average compensation is shown for 2013 Grandfathered Freight participants only (1,831 as of January 1, 2015).

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Statement of Actuarial Assumptions and Methods**

### Economic Assumptions

Interest rate basis:

|                   |                 |
|-------------------|-----------------|
| Applicable month  | September 2014  |
| Yield curve basis | 3-segment rates |

| Interest rates:         | Reflecting<br>Corridors | Not Reflecting<br>Corridors |
|-------------------------|-------------------------|-----------------------------|
| First segment rate      | 4.72%                   | 1.15%                       |
| Second segment rate     | 6.11%                   | 4.06%                       |
| Third segment rate      | 6.81%                   | 5.15%                       |
| Effective interest rate | 6.53%                   | 4.78%                       |

Annual rates of increase

|                                  |                                                     |
|----------------------------------|-----------------------------------------------------|
| Compensation:                    | 2% for 2013 Grandfathered Freight participants only |
| Statutory limits on compensation | N/A                                                 |

### Demographic Assumptions

**Healthy Mortality** Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustment, projected to 2030 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2022 using Scale AA).

**Termination** Rates varying by age, service and employment type  
Sample rates

| Part-Time Teamsters |       |       |       |       |       |      |
|---------------------|-------|-------|-------|-------|-------|------|
| Years of Service    |       |       |       |       |       |      |
| Age                 | 0-1   | 1-2   | 2-3   | 3-4   | 4-5   | ≥5   |
| 25                  | 35.0% | 25.0% | 22.0% | 15.0% | 13.0% | 9.5% |
| 40                  | 35.0% | 16.0% | 13.0% | 9.5%  | 7.0%  | 2.8% |
| 55                  | 20.0% | 14.0% | 9.0%  | 7.0%  | 5.0%  | 2.8% |

| Freight          |       |       |       |       |       |      |
|------------------|-------|-------|-------|-------|-------|------|
| Years of Service |       |       |       |       |       |      |
| Age              | 1     | 2     | 3     | 4     | 5     | ≥5   |
| 25               | 50.0% | 25.0% | 21.0% | 13.0% | 12.0% | 5.0% |
| 40               | 40.0% | 20.0% | 13.5% | 8.0%  | 5.0%  | 2.5% |
| 55               | 40.0% | 20.0% | 5.0%  | 5.0%  | 5.0%  | 2.5% |

ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB  
UPS PENSION PLAN  
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Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

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**All Others**  
**Years of Service**

| <u>Service</u> | <u>Rate</u> |
|----------------|-------------|
| 0              | 15.00%      |
| 1              | 15.00%      |
| 2              | 10.00%      |
| 3              | 8.00%       |
| 4              | 7.00%       |
| 5              | 4.00%       |
| 6              | 3.00%       |
| 7              | 2.75%       |
| 8              | 2.50%       |
| 9              | 2.25%       |
| 10-11          | 2.00%       |
| 12-15          | 1.50%       |
| 16-24          | 1.00%       |
| ≥ 25           | 0.00%       |

Transfers without reciprocity agreements are assumed to terminate immediately and receive their benefits at normal retirement.

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Statement of Actuarial Assumptions and Methods**

Transfer

The following rates were assumed for part-time Teamsters as the rate of transfer to a position within UPS, which does not provide for active participation in this plan. If the assumed transfer occurred when the employee had 3 years of service, the employee was assumed to stay until vested. If the assumed transfer occurred before the employee had earned 3 years of service, it was assumed the employee would not stay to become vested.

**Representative Transfer Rates**

**Part-Time Teamsters**

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 25         | 9.00%       | 4.00%         |
| 40         | 6.00%       | 2.50%         |
| 55         | 1.00%       | 1.00%         |

Disability incidence

None assumed

Disability mortality

Not applicable

Retirement

**Representative Retirement Rates**

Rates varying by age and service:

**Part-Time Teamsters and other non-Freight**

| <u>Age</u> | <u>&lt; 25 yrs of svc</u> | <u>≥ 25 yrs of svc</u> |
|------------|---------------------------|------------------------|
| 50-54      | 2.00%                     | 3.00%                  |
| 55-58      | 2.50%                     | 8.00%                  |
| 59         | 3.00%                     | 8.00%                  |
| 60         | 3.50%                     | 10.00%                 |
| 61         | 3.50%                     | 15.00%                 |
| 62         | 8.00%                     | 20.00%                 |
| 63-64      | 8.00%                     | 15.00%                 |
| 65-69      | 20.00%                    | 20.00%                 |
| ≥70        | 100.00%                   | 100.00%                |

**Freight**

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55-59      | 5.00%       |
| 60-61      | 12.00%      |
| 62-69      | 25.00%      |
| ≥70        | 100.00%     |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Statement of Actuarial Assumptions and Methods**

| Transfers                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Age</u>                                                       | <u>&lt; 30 yrs of svc</u> <u>≥ 30 yrs of svc</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 50-54                                                            | 2.00%      3.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 55-57                                                            | 5.00%      10.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 58-59                                                            | 7.00%      10.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 60-61                                                            | 7.00%      14.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 62                                                               | 15.00%      25.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 63                                                               | 12.00%      25.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 64                                                               | 10.00%      20.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 65                                                               | 25.00%      35.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 66                                                               | 20.00%      10.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 67                                                               | 15.00%      30.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 68                                                               | 10.00%      25.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 69                                                               | 15.00%      25.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| ≥70                                                              | 100.00%      100.00%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Benefit service                                                  | Part-time employees are assumed to earn 0.75 years of benefit service per year based upon review of historical hours. All other part-time and full-time participants are assumed to accrue a full year of service each year.                                                                                                                                                                                                                                                                              |
| Benefit commencement date for deferred vesteds                   | For all groups except Freight, active employees who terminate in the future and employees who are currently deferred vested are assumed to commence benefit payments at age 60 or current age if later. For Freight, age 62 or current age if later.                                                                                                                                                                                                                                                      |
| Benefit commencement date for actives who transfer in the future | Future transfers are assumed to commence benefit payments at age 62.                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Form of payment                                                  | <p>100% of single participants elect a life annuity</p> <p>For all groups except Freight: 55% of married participants elect a life annuity and 45% of married participants elect a 50% joint and survivor annuity</p> <p>For Freight Only: 35% of married participants elect a life annuity and 65% of married participants elect a 50% joint and survivor annuity</p> <p>Actuarial Equivalence as defined by the UPS Pension Plan is used to convert to optional forms of payment (when applicable).</p> |
| Percent married                                                  | 80%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Spouse age                                                       | Wife two years younger than husband                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Plan compensation                                                | <p>Estimated plan compensation for upcoming year:</p> <ul style="list-style-type: none"> <li>▶ For 2013 Grandfathered Freight participants, prior year actual plan compensation, increased by 2.00%</li> <li>▶ For all other participants, not applicable</li> </ul>                                                                                                                                                                                                                                      |
| Administrative expenses                                          | \$48,000,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Reciprocity load for Teamsters                                   | Benefits attributable to reciprocity for current transfers are valued explicitly. For active participants assumed to transfer out at a future date, a load is applied to their liability based on participants assumed to be eligible for reciprocity (i.e. those that transfer to the IBT plan or a multi-employer plan recognizing reciprocity agreements).                                                                                                                                             |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Statement of Actuarial Assumptions and Methods**

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### **Assumptions Rationale - Significant Economic Assumptions**

|                       |                                                                                                                                                                                                                                                                                                                            |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Plan-related expenses | As required by regulations, plan-related expenses are calculated by estimating the expenses to be paid from the trust during the coming year (including, for example, expected PBGC premiums and actuarial, accounting, legal, administration and trustee fees to be paid from the trust).                                 |
| Rates of increase in: |                                                                                                                                                                                                                                                                                                                            |
| • Compensation        | <p>For 2013 Grandfathered Freight participants, annual compensation increase assumptions are linked to increases negotiated in the current collective bargaining agreements.</p> <p>The resulting compensation increase assumptions are composite rates that reflects both current conditions and future expectations.</p> |

### **Assumptions Rationale – Significant Demographic Assumptions**

|                                     |                                                                                                                                                                                                               |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Healthy Mortality                   | Assumptions used for funding purposes are as prescribed by IRC §430(h).                                                                                                                                       |
| Disabled Mortality                  | Assumptions used for funding purposes are as prescribed by IRC §430(h).                                                                                                                                       |
| Termination                         | Termination rates were based on an experience study conducted in 2015 with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.     |
| Disability                          | Disability rates were based on an experience study conducted in 2015. Annual consideration is given to whether any conditions have changed that would be expected to produce different results in the future. |
| Transfer                            | Future transfer rates for the UPS Pension Plan part-time teamster population were based on an experience study conducted in 2015.                                                                             |
| Retirement                          | Retirement rates were based on an experience study conducted in 2015. Annual consideration is given to whether any conditions have changed that would be expected to produce different results in the future. |
| Form of payment and percent married | The combined percent married and form of payment assumptions were based on an experience study conducted in 2015.                                                                                             |

### **Methods**

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date            | First day of plan year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Funding target            | Present value of accrued benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Target normal cost        | Present value of benefits expected to accrue during plan year plus plan-related expenses expected to be paid from plan assets during plan year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Actuarial value of assets | <p>Average of the fair market value of assets on the valuation date and the two immediately preceding valuation dates, adjusted for contributions, benefits, administrative expenses and expected earnings. The average asset value must be within 10% of fair value, including contributions receivable.</p> <p>The method of computing the actuarial value of assets complies with the rules governing the calculation of such values under the Pension Protection Act of 2006 (PPA). These rules produce smoothed values that reflect the underlying market value of plan assets will be lower than the market value in some years and greater in other years. However, over the long term under PPA's smoothing rules, the method has a bias to produce an actuarial value of assets that is below the market value of assets.</p> |

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**UPS PENSION PLAN**  
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**Schedule SB, Part V — Statement of Actuarial Assumptions and Methods**

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|                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benefits not valued                                     | All benefits described in the Plan Provisions section of this report were valued. Willis Towers Watson has reviewed the plan provisions with UPS and is not aware of any significant benefits required to be valued that were not.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Change in assumptions and methods since prior valuation | <p>The segment rates used to calculate the funding target and target normal cost were updated.</p> <p>The required mortality table used to calculate the funding target and normal cost was updated to include an additional year of projected mortality improvements.</p> <p>Assumed administrative expenses were changed from \$18,000,000 in 2014 to \$48,000,000 in 2015.</p> <p>Retirement rates, termination rates, transfer rates, deferred vested benefit commencement date, form of payment elections, percent married and spouse age difference assumptions were updated to reflect plan experience from 2011 to 2014 for funding results in both 2016 and 2015 upon receipt of IRS approval for assumption changes on October 19, 2016.</p> |
| Data Sources                                            | Willis Towers Watson used asset data supplied by UPS. UPS furnished participant data as of January 1, 2015 and the dates and amounts of the contributions paid in 2015. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions and estimates were made by Willis Towers Watson actuaries when data were not available, and UPS confirmed the appropriateness of these assumptions and estimates. Willis Towers Watson is not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.                                                                                                                                                             |

# SCHEDULE SB ATTACHMENTS

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## Schedule SB – Statement by Enrolled Actuary

|                          |                                        |
|--------------------------|----------------------------------------|
| <b>Plan Sponsor</b>      | United Parcel Service of America, INC. |
| <b>EIN/PN</b>            | 95-1732075/022                         |
| <b>Plan Name</b>         | UPS Pension Plan                       |
| <b>Valuation Date</b>    | January 1, 2015                        |
| <b>Enrolled Actuary</b>  | Timothy Hoppin                         |
| <b>Enrollment Number</b> | 14-7404                                |

The actuarial assumptions that are not mandated by IRC § 430 and regulations, represent the enrolled actuary's best estimate of anticipated experience under the plan, subject to the following conditions:

The actuarial valuation, on which the information in this Schedule SB is based, has been prepared in reliance upon the employee and financial data furnished by the plan administrator and the trustee. The enrolled actuary has not made a rigorous check of the accuracy of this information but has accepted it after reviewing it and concluding it is reasonable in relation to similar information furnished in previous years. The amounts of contributions and dates paid shown in Item 18 of Schedule SB were listed in reliance on information provided by the plan administrator and/or trustee. This amended filing reflects updates to retirement rates, termination rates, transfer rates, deferred vested benefit commencement date, form of payment elections, percent married and spouse age difference assumptions based on plan experience from 2011 to 2014 following IRS approval of these assumption changes on November 30, 2016.

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**Schedule SB, Part V — Summary of Plan Provisions**

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**1. Applicable to Non-Freight participants**

**Plan Provisions**

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Covered Employees  | All employees who have attained age 21 and who have worked at least 375 hours (1,000 for employees of UPS Aviation Technologies (IIMorrow) and St. Thomas) during a calendar year and further provided that they are covered by a collective bargaining agreement which provides for coverage under the UPS Pension Plan.                                                                                                                                                                                                                                                                                                                                              |
| Participation Date | All predecessor Plan participants on December 31, 1975 who are employees on January 1, 1976 became plan participants on January 1, 1976. Menlo Worldwide forwarding employees who were participants in the Menlo Worldwide Forwarding, Inc. Hourly Employees' Pension Plan became eligible to participate in the UPS Pension Plan on December 19, 2004. All other employees become eligible to participate on the January 1 or July 1 immediately following attainment of age 21 and completion of a 12-month period of employment during which 375 hours of service (1,000 hours for employees of UPS Aviation Technologies (IIMorrow) and St. Thomas) are completed. |

**Definitions**

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vesting service              | One year for each calendar year in which an employee completes 375 hours of service (1,000 hours for employees of UPS Aviation Technologies (IIMorrow) and St. Thomas).                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Benefit service              | One year for each calendar year in which an employee completes at least 1,500 hours of service (1,800 hours for employees of UPS Aviation Technologies (IIMorrow), St. Thomas, and Menlo Worldwide Forwarding). Part-time Teamsters actively employed on or after August 1, 1999 receive one year for each calendar year with 750 hours (including years before August 1, 1999) with partial credit for fewer hours. The 2002 Teamsters contract extended the 750 hour rule to former part-time Teamsters who are currently working for UPS and have transferred to a Teamster multi-employer plan. |
| Normal retirement date (NRD) | First of month coinciding with or next following the attainment of age 65 with five years of vesting service or participation. If a participant prior to January 1, 1989, first of the month coinciding with or next following the attainment of age 65.<br><br>For full-time members of Detroit Local 243 (hired prior to October 23, 1997) and Local 698, attainment of age 60 with five years of vesting service or participation. (If a participant prior to January 1, 1989, first of the month coinciding with or next following the attainment of age 60.)                                   |
| Actuarial Equivalence        | 6% and 1983 Group Annuity Mortality (GAM): Male table for participants; Female table for beneficiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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Pension benefit

**Maximum of (1) and (2)**

(1) Regular pension benefit is the amount shown in table below, reduced proportionately for service less than maximum service years.

| <u>Employee Group</u>                                                        | <u>Maximum Service</u> | <u>Monthly Benefit for Maximum Service</u> |
|------------------------------------------------------------------------------|------------------------|--------------------------------------------|
| Part-time Teamsters (effective 8/1/08 for those active on or after 8/1/02)   | 35                     | \$2,100                                    |
| UPS Aviation Technologies (II Morrow) non-exempt (frozen effective 12/31/00) | 25                     | 1,100                                      |
| Detroit Local 243 (full-time clerical)                                       | 25                     | 3,000                                      |
| Detroit Local 698 (full-time)                                                | 35                     | 3,850                                      |
| Detroit Local 698 (part-time)                                                | 35                     | 1,925                                      |
| St. Thomas                                                                   | 25                     | 775                                        |
| Ohio Local 98 (part-time)                                                    | 25                     | 1,500                                      |
| Ohio Local 98 (full-time)                                                    | 25                     | 2,000                                      |
| Ohio Rider (full-time)                                                       | 25                     | 2,250                                      |
| Louisville Local 2727 (part-time)                                            | 35                     | 1,925                                      |
| Puerto Rico Local 901 (full-time)                                            | 30                     | 2,300                                      |
| Challenge Air                                                                | 35                     | 2,275                                      |
| Local 89 (six-hour employees)                                                | 35                     | 3,045                                      |
| Dispatchers Local 545 (\$4,725 maximum if date of birth before 1/1/1958)     | 35                     | 4,025                                      |
| Cartage Services (CSI/Menlo)                                                 | None                   | \$107 times Benefit Service                |

*Effective January 1, 2008, Puerto Rico full-time transferred to the IBT plan, freezing the monthly benefit accrued as of January 1, 2008 in the UPS Pension Plan.*

*With respect to each Part-time Teamster who was active on or after August 1, 2002 who accrued at least one hour of service on or after August 1, 2008, the monthly benefit is \$55 multiplied by years of service credit completed prior to January 1, 2008 plus \$60 multiplied by years of service credit completed after January 1, 2008, subject to a maximum of 35 years.*

*With respect to each Local 89 six-hour employee who was active on or after August 1, 2002 who accrued at least one hour of service on or after August 1, 2008, the monthly benefit is \$80 multiplied by years of service credit completed prior to January 1, 2008 plus \$87 multiplied by years of service credit completed after January 1, 2008, subject to a maximum of 35 years.*

*With respect to each Challenge Air employee who was active on or after January 1, 2014 who accrued at least one hour of service on or after January 1, 2011, the monthly benefit is \$50 multiplied by years of*

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*service credit completed prior to January 1, 2014 plus \$65 multiplied by years of service credit completed after January 1, 2014, subject to a maximum of 35 years.*

*With respect to each Local 698 (full-time) employee who was active on or after January 1, 2015 who accrued at least one hour of service on or after January 1, 2004, the monthly benefit is \$100 multiplied by years of service credit completed prior to January 1, 2015 plus \$110 multiplied by years of service credit completed after January 1, 2015, subject to a maximum of 35 years.*

*With respect to each Local 698 (part-time) employee who was active on or after January 1, 2015 who accrued at least one hour of service on or after January 1, 2004, the monthly benefit is \$50 multiplied by years of service credit completed prior to January 1, 2015 plus \$55 multiplied by years of service credit completed after January 1, 2015, subject to a maximum of 35 years.*

Pension benefit cont'd

- (2) Service pension benefit is the amount shown in table below, and is only available after completing 30 years of service.

| <u>Employee Group</u>                                                       | <u>30-Year Monthly Benefit</u> |
|-----------------------------------------------------------------------------|--------------------------------|
| Part-time Teamsters (effective 8/1/08 for those active on or after 8/1/02)  | \$1,800                        |
| UPS Aviation Technologies (IIMorrow) non-exempt (frozen effective 12/31/00) | 826                            |
| Detroit Local 243 (full-time clerical)                                      | 2,250                          |
| Detroit Local 698 (full-time)                                               | 2,000                          |
| Detroit Local 698 (part-time)                                               | 1,000                          |
| St. Thomas                                                                  | 580                            |
| Ohio Local 98 (full-time)                                                   | 1,500                          |
| Ohio Local 98 (part-time)                                                   | 1,125                          |
| Ohio Rider (full-time)                                                      | 2,250                          |
| Louisville Local 2727 (part-time)                                           | N/A                            |
| Puerto Rico Local 901 (full-time)                                           | 2,300                          |
| Challenge Air                                                               | 1,650                          |
| Local 89 (six-hour employees)                                               | 2,400                          |
| Dispatchers Local 545 (\$4,050 if date of birth before 1/1/1958)            | 3,450                          |
| Cartage Services (CSI/Menlo)                                                | N/A                            |

*Effective January 1, 2008, Puerto Rico Local 901 transferred to the IBT plan, freezing the monthly benefit accrued as of January 1, 2008 in the UPS Pension Plan. Based on service through the date of the transfer, Puerto Rico Local 901 could receive at any age \$1,800 per month with 25 years of service.*

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*A part-time Teamster participant at any age with 35 years of service may receive \$2,100 per month, \$1,500 per month at age 60 with 25 years, or \$1,250 per month with 25 years at any age.*

*Louisville Local 2727 will not have a service benefit.*

*Detroit Local 698 is eligible for unreduced benefits after reaching 30 years of service and age 55. Full-time participants will receive \$100 times years of service (maximum of 35). Part-time participants will receive \$50 times years of service (maximum of 35).*

*A Local 89 participant at any age with 35 years of service may receive \$2,800 per month, \$2,400 per month at age 60 with 25 years, or \$2,000 per month with 25 years at any age.*

*Challenge Air may receive at any age \$1,925 per month with 35 years of service, \$1,375 per month at age 60 with 25 years of service and \$1,125 per month with 25 years of service at any age.*

### Eligibility for Benefits

|                              |                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement            | Retirement on NRD                                                                                                                                                                                                                                                                                                                                                   |
| Service retirement           | Service benefits are available after completing years of benefit service required for special pension. When reciprocity agreements exist, a prorated service benefit may also become available for Teamsters if their total benefit service in all Teamsters plans in which UPS participates is enough to meet the service requirements for these special benefits. |
| Early retirement             | For Ohio Rider, Dispatchers Local 545 and Menlo Worldwide Forwarding: attainment of age 55 and completion of at least 10 years of vesting service.<br><br>For all other groups: attainment of age 50 and completion of 10 years of vesting service but not later than NRD.                                                                                          |
| Postponed retirement         | Retire after NRD                                                                                                                                                                                                                                                                                                                                                    |
| Disability retirement        | Completion of 10 or more years of vesting service and total and permanent disability                                                                                                                                                                                                                                                                                |
| Terminated deferred          | Terminate for reasons other than death, retirement or disability after completing five years of vesting service. This includes participants who remain active with UPS, transfer to a different UPS-sponsored plan, and terminate after completing five years of vesting service.                                                                                   |
| Reciprocity                  | For Teamster participants who transfer from the Pension Plan to another Teamster plan in which UPS participates, the benefit service earned in the new plan will be counted towards eligibility for the service retirement benefits offered by the Pension Plan.                                                                                                    |
| Preretirement spouse benefit | Die while a member of the plan, married, vested or after retirement or vested termination date but before benefit commencement                                                                                                                                                                                                                                      |
| Lump sum death               | Die while a member of the plan, vested, and no preretirement spouse coverage                                                                                                                                                                                                                                                                                        |

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**Benefits Paid Upon the Following Events**

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement                        | Pension benefit determined as of NRD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Early retirement                         | <p>Regular pension benefit is reduced 6% annually (5% for Metro Detroit Local 243) for each month that retirement precedes Normal Retirement Date with the following exceptions:</p> <p>Detroit Local 698 (full-time and part-time) benefits are reduced 5% annually for each month that retirement precedes age 57.</p> <p>Ohio Rider benefits are reduced 3% per year that retirement precedes normal retirement date, but there is no reduction after reaching 25 years of service.</p> <p>Local 545 Dispatchers benefits are reduced 3% annually for each month that retirement precedes Normal Retirement Date.</p> <p>Cartage Services Local 344 benefits are reduced 9% per year for the first three years that retirement precedes age 65, and then 5% for each additional year. Cartage Services benefits for participants in other locals are unreduced at age 62, with reductions varying by age for ages earlier than 62.</p> |
| Service retirement                       | The service pension benefit determined under formula (2) is unreduced.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Postponed retirement                     | Pension benefit determined as of actual retirement date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Transfer with a deferred benefit         | <p>Pension benefit determined as of actual termination date based on service in the Pension Plan. Accrued benefit is payable at NRD.</p> <p>If a Teamster is eligible for reciprocity, he will be eligible to immediately receive an amount equal to the greater of his accrued pension benefit (reduced for early retirement, if applicable) or the product of a) and b):</p> <ul style="list-style-type: none"><li>a) the unreduced service benefit offered by the Pension Plan,</li><li>b) ratio of the benefit service accrued in the Pension Plan to the total service required to receive that service benefit</li></ul>                                                                                                                                                                                                                                                                                                            |
| Disability retirement                    | Greater of early retirement benefit (if eligible) or accrued benefit that would be payable at age 60, based on service up to 20 years, payable after 6 months of disability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Termination with deferred vested benefit | Pension benefit determined as of termination date, reduced as for early retirement if paid before NRD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Death with preretirement spouse benefits | Preretirement spouse benefit is payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Death with lump sum benefits             | Lump sum benefit of \$100 times Benefit Service is payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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### Other Plan Provisions

|                     |                                                                                                                                                                                                                                                                                                                                                      |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment    | Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single.<br>Optional forms: <ul style="list-style-type: none"><li>▶ 10-year certain and continuous annuity</li><li>▶ 75% joint and survivor annuity</li><li>▶ 100% joint and survivor annuity</li><li>▶ Life annuity if married</li></ul> |
| Maximum on benefits | All benefits for any calendar year may not exceed the maximum limitations for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective.                                                                                                                  |

### Changes in Benefits Valued Since Prior Year

The following changes described in the National Master Agreement effective April 25, 2014 have been reflected:

- Retroactive to August 1, 2013, the eligibility requirement to participate in the Plan changed from 750 hours in a 12-month period to 375 hours in a 12-month period.
- Retroactive to August 1, 2013, the number of hours of service required to earn a vesting year changed from 750 hours in a 12-month period to 375 hours in a 12-month period.
- Retroactive to August 1, 2013, the monthly Service Pension benefit multiplier for Part-time teamsters increased to \$60 per Year of Service Credit from \$55 per Year of Service Credit.
- Retroactive to January 1, 2014, the monthly benefit multiplier for CSI increased from \$100 per year of service to \$107 per year of service (for service back to the 12/19/2004 acquisition date and future service). Note that this change does not apply to CSI participants in the Pharr, TX location.
- Effective August 1, 2013, a Service Pension benefit was added for 6-hour employees at Local 89 participating in the UPS Pension Plan equal to \$1,750 per month for Years of Service Credit over 25 years, \$2,400 per month for Years of Service Credit over 30 years and \$2,800 per month for Years of Service Credit over 35 years.
- Effective January 1, 2014, the Service Pension benefits for Challenge Air employees participating in the UPS Pension Plan increased to \$1,125 per month for Years of Service Credit over 25 years at any age, \$1,375 per month at age 60 for Years of Service Credit over 25 years, \$1,650 for over 30 years and \$1,925 for over 35 years; Regular Pension benefit increased to \$65 per year of Service Credit for service after January 1, 2014.
- Effective January 1, 2015, the monthly regular pension benefit to Local 698 (full-time) employees is \$100 multiplied by years of service credit completed prior to January 1, 2015 plus \$110 multiplied by years of service credit completed after January 1, 2015, subject to a maximum of 35 years.
- Effective January 1, 2015, the monthly regular pension benefit to Local 698 (part-time) employees is \$50 multiplied by years of service credit completed prior to January 1, 2015 plus \$55 multiplied by years of service credit completed after January 1, 2015, subject to a maximum of 35 years.

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**2. Applicable to Freight participants (UEPLAN)**

**Plan Provisions**

|                    |                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Covered Employees  | Employees of UPS Ground Freight, Inc. covered by the UPS Freight Agreement Covering Over-The-Road and Local Cartage Operations.                                                                                                                                                                                                                                                                 |
| Participation Date | The later of:<br><br>(1) The first day of the month following attainment of 21 and completion of a 12-month period of employment in which the employee completes 750 hours of service; and<br><br>(2) The date that his or her group (i.e. service center or local) was recognized by the Employer as covered by the UPS Freight Agreement Covering Over-The-Road and Local Cartage Operations. |

**Definitions**

|                                        |                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vesting service                        | Vesting service is one year for each calendar year in which an employee completes 750 hours                                                                                                                                                                                                                                                                                 |
| Benefit service                        | One year for each calendar year in which an employee completes at least 1,500 hours of service with partial credit for fewer hours (including service provided for in the UPS Retirement Plan)                                                                                                                                                                              |
| Grandfathered Overnite participant     | A participant in the Overnite Retirement Plan on December 31, 2005                                                                                                                                                                                                                                                                                                          |
| 2013 Grandfathered Freight Participant | A Freight participant in the UPS Pension Plan with Final Average Compensation as of December 31, 2013 of at least \$73,000                                                                                                                                                                                                                                                  |
| Compensation                           | Basic salary or wages plus overtime pay, certain incentive and bonus pay, and deferrals to the UPS Deferred Compensation Plan, Section 401(k) and Section 125 deferrals, and including the value of management incentive awards granted by the UPS Incentive Compensation Plan (even if not vested), limited as required by Section 401(a)(17) of the Internal Revenue Code |
| Final average pay                      | The average of the highest five consecutive calendar years of compensation during the ten-year period ending on the earlier of the participant's termination date or date of death or plan termination date.                                                                                                                                                                |
| Normal retirement date (NRD)           | For a grandfathered Overnite participant, first of the month coinciding with or next following the attainment of age 65.<br>For a non-grandfathered Overnite participant, first of month coinciding with or next following the attainment of 65 with five years of vesting service or participation.                                                                        |
| Actuarial Equivalence                  | 6% and 1983 Group Annuity Mortality (GAM): male table for participants; female table for beneficiaries. Grandfathered Overnite participants receive the greater of the above and an optional form factor determined by an interest rate of 7% and the UP 1984 Unisex Pension Mortality Table.                                                                               |
| Pension benefit                        | (A) + (B) where:<br><br>(A) equals 1.725% of Final Average Compensation as of December 31, 2013 multiplied by benefit service as of December 31, 2013 up to 30 years                                                                                                                                                                                                        |

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(B) equals \$105 per month per year of benefit service after January 1, 2014

*For 2013 Grandfathered Freight Participants:*

The greater of the sum of the benefits described above and 1.725% of Final Average Compensation multiplied by benefit service up to 30 years. Final Average Compensation and benefit service calculated as of date of separation from UPS.

**Preretirement spouse benefit**

50% of the benefit that would have been payable to the participant, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit.

**Disability benefit**

For participants who become disabled before eligibility for early or normal retirement but on or before June 30, 2006, accrued benefit using service projected to age 65, payable until age 65. At age 65, the disability benefit is the normal retirement benefit based on service through age 65.

For participants who become disabled before eligibility for early or normal retirement but after July 1, 2006, \$9.60 per month times benefit service up to 30 years, payable until the participant's early retirement date at which time the participant receives an early retirement benefit.

For disabilities occurring after eligibility for early or normal retirement after July 1, 2006, the benefit payable is early or normal retirement benefit as applicable.

For disabilities occurring after eligibility for early or normal retirement after July 1, 2006, the benefit payable is the early or normal retirement benefit as applicable.

## Eligibility for Benefits

|                              |                                                                                                                             |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Normal retirement            | Retirement on NRD                                                                                                           |
| Early retirement             | Attaining age 55 and completion of ten years of vesting service but not later than NRD                                      |
| Postponed retirement         | Retire after NRD                                                                                                            |
| Disability retirement        | Completion of ten or more years of vesting service, disabled and qualify for Social Security disability benefits            |
| Terminated deferred          | Terminate for reasons other than death, retirement or disability after completing five years of vesting service             |
| Preretirement spouse benefit | Die while a member of the plan, married, and having attained five years of vesting service, but before benefit commencement |

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### Benefits Paid Upon the Following Events

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement                        | Monthly pension benefit determined as of NRD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Early retirement                         | <p>For participants who have attained age 55 but not age 60 and have less than 30 years of benefit service, pension benefit is reduced by 0.4167% (5% annually) for each month that retirement precedes age 65.</p> <p>If participant has 30 years of benefit service at date of early retirement, pension benefit is unreduced.</p> <p>For participants who have attained age 60 and have less than 25 years of benefit service, pension benefit is reduced by 0.25% (3% annually) for each month that retirement precedes age 65.</p> <p>If participant has attained age 60 and 25 years of benefit service at date of early retirement, pension benefit is unreduced.</p> |
| Postponed retirement                     | Pension benefit determined as of actual retirement date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Disability retirement                    | Disability benefit, provided no benefit is payable from the plan while the participant is receiving short or long term disability.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Termination with deferred vested benefit | Pension benefit determined as of termination date is payable beginning at Normal Retirement Date. May commence as early as age 55 if completed 10 years of vesting service. Reduction in benefit for early commencement is the same as early retirement benefit.                                                                                                                                                                                                                                                                                                                                                                                                             |
| Death with preretirement spouse benefits | Preretirement spouse benefit is payable to eligible surviving spouse.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

### Other Plan Provisions

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment            | <p>Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single.</p> <p>Optional forms:</p> <ul style="list-style-type: none"><li>▶ 50% joint and survivor annuity (non-spouse beneficiary)</li><li>▶ 75% joint and survivor annuity</li><li>▶ 100% joint and survivor annuity</li><li>▶ Social Security level Income at age 62 or age 65 (Only available to grandfathered participants)</li></ul> <p>Disabled retirees prior to July 1, 2006 are not eligible for the 100% joint and survivor annuity or the Social Security level income options.</p> |
| Maximum on benefits and pay | All benefits and compensation for any calendar year may not exceed the maximum limitation for that year as defined in the Internal revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective.                                                                                                                                                                                                                                                                                                                                                           |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Summary of Plan Provisions**

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### **Changes in Benefits Valued Since Prior Year**

The following changes described in the National Master Agreement effective April 25, 2014 have been reflected:

- The Final Average Compensation benefit was frozen with respect to both future Compensation and future service as of December 31, 2013.
- The pension benefit is \$105 per month per year of service for service on or after January 1, 2014.
- 2013 Grandfathered Freight Participants will receive the greater of the sum of the benefits described above and 1.725% of Final Average Compensation multiplied by benefit service up to 30 years.

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Summary of Plan Provisions**

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**3. Applicable to Grandfathered Motor Cargo participants (UBPLAN)**

**Plan Provisions**

|                    |                                                                                                                                                                                                                                                                                                                                   |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Covered Employees  | <p>All prior employees of Motor Cargo covered by a collective bargaining agreement, except:</p> <ul style="list-style-type: none"><li>▪ Any leased employee</li><li>▪ Any “reclassified” employee (independent contractors and outsourced employees)</li></ul> <p>Motor Cargo Distribution Services has not adopted the plan.</p> |
| Participation Date | <p>The first day of the month following attainment of age 21 and completion of a 12-month period of employment in which the employee completes 750 hours of service.</p>                                                                                                                                                          |

**Definitions**

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vesting service                        | <p>For service on and after January 1, 2008, vesting service is calculated as described for non-Freight participants. Service prior to January 1, 2008 is calculated in accordance with the prior plan.</p>                                                                                                                                                                                                                                                                                                        |
| Benefit service                        | <p>For service on and after January 1, 2008, benefit service is calculated as described for non-Freight participants. Service prior to January 1, 2008 is calculated in accordance with the prior plan.</p> <p>Benefit service is subject to an overall maximum of 30 years. However, once a participant reaches 30 years in total including service with Motor Cargo and service as a UPS employee, future years of service as a UPS employee will replace years of service earned as a Motor Cargo employee.</p> |
| Compensation                           | <p>Basic salary or wages plus overtime pay, certain incentive and bonus pay, and deferrals to the UPS Deferred Compensation Plan, Section 401(k) and Section 125 deferrals, and including the value of management incentive awards granted by the UPS Incentive Compensation Plan, limited as required by Section 401(a)(17) of the Internal Revenue Code.</p>                                                                                                                                                     |
| Final average earnings                 | <p>The average of the highest five consecutive calendar years of compensation during the ten-year period ending on the earlier of the participant’s termination date or date of death or plan termination date.</p>                                                                                                                                                                                                                                                                                                |
| Grandfathered Motor Cargo participant  | <p>A participant in the Motor Cargo Pension Plan on December 31, 2005.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 2013 Grandfathered Freight participant | <p>A union Freight participant in the UPS Pension Plan with Final Average Compensation as of December 31, 2013 of at least \$73,000</p>                                                                                                                                                                                                                                                                                                                                                                            |
| Normal retirement date (NRD)           | <p>For a grandfathered Motor Cargo participant, first of month coinciding with or next following the attainment of age 65.</p> <p>For a non-grandfathered Motor Cargo participant, first of month coinciding with or next following the attainment of age 65 with five years of vesting service or participation.</p>                                                                                                                                                                                              |
| Actuarial Equivalence                  | <p>6% and 1983 Group Annuity Mortality (GAM): male table for participants; female table for beneficiaries. Grandfathered Motor Cargo participants receive the greater of the above and an optional form factor determined by an interest rate of 8% and the UP 1984 Unisex Pension Mortality Table.</p>                                                                                                                                                                                                            |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Summary of Plan Provisions**

| Pension benefit                        | <p>Sum of (1), (2), (3), (4) and (5):</p> <p>(1) Accrued benefit as of December 31, 1988;</p> <p>(2) For service after 1988 and before 2006: Monthly amount per year of benefit service, based</p> <table> <tr> <th><u>Hours of service in a plan year</u></th><th><u>Monthly Benefit</u></th></tr> <tr> <td>1,800 or more</td><td>\$20</td></tr> <tr> <td>1,600 – 1,799</td><td>18</td></tr> <tr> <td>1,400 – 1,599</td><td>16</td></tr> <tr> <td>1,200 – 1,399</td><td>14</td></tr> <tr> <td>1,000 – 1,199</td><td>12</td></tr> <tr> <td>Less than 1,000</td><td>0</td></tr> </table> <p>(3) For service after 2005 and before 2008: \$20 per month per year of benefit service;</p> <p>(4) 1.725% of Final Average Compensation as of December 31, 2013 multiplied by benefit service earned after 2007 as of December 31, 2013;</p> <p>Total benefit service for the sum of (1), (2), (3) and (4) is limited to 30 years, as described above in benefit service.</p> <p>(5) \$105 per month per year of benefit service after January 1, 2014.</p> <p><i>For 2013 Grandfathered Freight Participants:</i></p> <p>The greater of the sum of the benefits described above and the sum of (1), (2), (3) and (4) including benefit service and Compensation after 2013.</p> | <u>Hours of service in a plan year</u> | <u>Monthly Benefit</u> | 1,800 or more | \$20 | 1,600 – 1,799 | 18 | 1,400 – 1,599 | 16 | 1,200 – 1,399 | 14 | 1,000 – 1,199 | 12 | Less than 1,000 | 0 |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------|---------------|------|---------------|----|---------------|----|---------------|----|---------------|----|-----------------|---|
| <u>Hours of service in a plan year</u> | <u>Monthly Benefit</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| 1,800 or more                          | \$20                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| 1,600 – 1,799                          | 18                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| 1,400 – 1,599                          | 16                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| 1,200 – 1,399                          | 14                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| 1,000 – 1,199                          | 12                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| Less than 1,000                        | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| Preretirement spouse benefit           | 50% of the benefit that would have been payable to the participant, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| Regular death benefit                  | Lump sum present value of accrued benefit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |
| Disability benefit                     | <p>For participants who become disabled before eligibility for early or normal retirement but on or before December 31, 2007, disability benefit is 55% of the vested accrued benefit.</p> <p>For participants who become disabled before eligibility for early or normal retirement but after January 1, 2008, \$9.60 per month times benefit service completed prior to disability up to 30 years, payable until the participant's early retirement date at which time the participant receives an early retirement benefit.</p> <p>For disabilities occurring after eligibility for early or normal retirement after January 1, 2008, the benefit payable is early or normal retirement benefit as applicable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                        |                        |               |      |               |    |               |    |               |    |               |    |                 |   |

## Eligibility for Benefits

|                      |                                                                                             |
|----------------------|---------------------------------------------------------------------------------------------|
| Normal retirement    | NRD. Participant is not required to retire to commence normal retirement benefits           |
| Early retirement     | Attainment of age 55 and completion of five years of vesting service but not later than NRD |
| Postponed retirement | Retire after NRD                                                                            |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Summary of Plan Provisions**

|                              |                                                                                                                                                                                                  |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disability retirement        | Completion of five or more years of vesting service, terminate prior to age 55 due to disability and qualify for Social Security disability benefits                                             |
| Terminated deferred          | Terminate for reasons other than death, retirement or disability after completing five years of vesting service                                                                                  |
| Preretirement spouse benefit | Die while a participant of the plan, married, and having attained five years of vesting service (no service requirement if active participant at time of death), but before benefit commencement |
| Regular death benefit        | Die while a participant of the plan                                                                                                                                                              |

### Benefits Paid Upon the Following Events

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Normal retirement                        | Monthly pension benefit determined as of NRD                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Early retirement                         | <p>Pension benefit for formulas (1), (2) and (3) is reduced by 0.375% (4.5% annually) for each month that retirement precedes age 65.</p> <p>Pension benefit for formula (4) is reduced as follows:</p> <ul style="list-style-type: none"><li>▪ Attained age 55, but not 60 with less than 30 years of benefit service, pension benefit is reduced by 0.4167% (5% annually) for each month prior to 65.</li><li>▪ Attained age 55, but not 60 with at least 30 years of benefit service, pension benefit is unreduced.</li><li>▪ Attained age 60, with less than 25 years of benefit service, pension benefit is reduced by 0.25% (3% annually) for each month prior to 65.</li><li>▪ Attained age 60, with at least 25 years of benefit service, pension benefit is unreduced.</li></ul> |
| Postponed retirement                     | Pension benefit determined as of actual retirement date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Disability retirement                    | Disability benefit, provided no benefit is payable from the plan while the participant is receiving short or long term disability                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Termination with deferred vested benefit | <p>Pension benefit determined as of termination date is payable beginning at NRD. May commence as early as age 55. Pension benefit for formulas (1), (2) and (3) reduced by 0.375% (4.5% annually) for each month that retirement precedes age 65. Pension benefit for formula (4) is reduced by as defined above for early retirement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Death                                    | <p>Preretirement spouse benefit is payable to eligible surviving spouse.</p> <p>Regular death benefit is payable to beneficiary. The regular death benefit is first offset by the value of the preretirement spouse benefit. The remaining amount, if any, is payable to the participant's beneficiary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**  
**EIN: 95-1732075/PN: 022**  
**Schedule SB, Part V — Summary of Plan Provisions**

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### Other Plan Provisions

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment            | Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single<br><br>Optional forms: <ul style="list-style-type: none"><li>▶ 5-year certain and continuous annuity</li><li>▶ 10-year certain and continuous annuity</li><li>▶ 50% joint and survivor annuity (non-spouse beneficiary)</li><li>▶ 75% joint and survivor annuity</li><li>▶ 100% joint and survivor annuity</li></ul> |
| Maximum on benefits and pay | All benefits and compensation for any calendar year may not exceed the maximum limitation for that year as defined in the Internal Revenue Code. The plan provides for increasing the dollar limits automatically as such changes become effective.                                                                                                                                                                                     |

### Changes in Benefits Valued Since Prior Year

The following changes described in the National Master Agreement effective April 25, 2014 have been reflected:

- The Final Average Compensation benefit was frozen with respect to both future Compensation and future service as of December 31, 2013.
- The pension benefit is \$105 per month per year of service for service on or after January 1, 2014.
- 2013 Grandfathered Freight Participants will receive the greater of the sum of the benefits described above and 1.725% of Final Average Compensation multiplied by benefit service up to 30 years.

|                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2015</b><br><br><b>This Form is Open to Public Inspection</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|

For calendar plan year 2015 or fiscal plan year beginning 01/01/2015 and ending 12/31/2015

► **Round off amounts to nearest dollar.**  
 ► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

|                                                                                                                                                                                                                                                                                                   |                                                             |     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----|
| <b>A</b> Name of plan<br>UPS PENSION PLAN                                                                                                                                                                                                                                                         | <b>B</b> Three-digit plan number (PN) ►                     | 022 |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br>UNITED PARCEL SERVICE OF AMERICA, INC.,                                                                                                                                                                               | <b>D</b> Employer Identification Number (EIN)<br>95-1732075 |     |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input type="checkbox"/> 101-500 <input checked="" type="checkbox"/> More than 500 |                                                             |     |

|                                                                                                                                                                                                          |                            |                           |                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------|--------------------------|
| <b>Part I Basic Information</b>                                                                                                                                                                          |                            |                           |                          |
| 1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2015</u>                                                                                                                                 |                            |                           |                          |
| 2 Assets:                                                                                                                                                                                                |                            |                           |                          |
| a Market value .....                                                                                                                                                                                     | <b>2a</b>                  | 5,463,159,721             |                          |
| b Actuarial value .....                                                                                                                                                                                  | <b>2b</b>                  | 5,335,084,525             |                          |
| 3 Funding target/participant count breakdown                                                                                                                                                             | (1) Number of participants | (2) Vested Funding Target | (3) Total Funding Target |
| a For retired participants and beneficiaries receiving payment .....                                                                                                                                     | 9,883                      | 887,910,754               | 887,910,754              |
| b For terminated vested participants .....                                                                                                                                                               | 39,219                     | 629,584,824               | 629,584,824              |
| c For active participants .....                                                                                                                                                                          | 148,211                    | 3,187,798,114             | 3,435,229,624            |
| d Total .....                                                                                                                                                                                            | 197,313                    | 4,705,293,692             | 4,952,725,202            |
| 4 If the plan is in at-risk status, check the box and complete lines (a) and (b) <input type="checkbox"/>                                                                                                |                            |                           |                          |
| a Funding target disregarding prescribed at-risk assumptions .....                                                                                                                                       | <b>4a</b>                  |                           |                          |
| b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor ..... | <b>4b</b>                  |                           |                          |
| 5 Effective interest rate .....                                                                                                                                                                          | <b>5</b>                   | 6.53 %                    |                          |
| 6 Target normal cost .....                                                                                                                                                                               | <b>6</b>                   | 210,053,850               |                          |

**Statement by Enrolled Actuary**  
 To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                  |                                                                                                                                                                                                                        |                                                                                                                                                  |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SIGN HERE</b> | <br>Signature of actuary<br><br>TIMOTHY HOPPIN, F.S.A., E.A.<br>Type or print name of actuary<br>TOWERS WATSON DELAWARE INC.<br>Firm name<br>3500 LENOX ROAD SUITE 900<br>ATLANTA GA 30326-4238<br>Address of the firm | <u>03/30/2017</u><br>Date<br><u>14-07404</u><br>Most recent enrollment number<br><u>(404) 365-1600</u><br>Telephone number (including area code) |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

**For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.** **Schedule SB (Form 5500) 2015 v. 150123**

**Part II Beginning of Year Carryover and Prefunding Balances**

|                                                                                                                                                                     | (a) Carryover balance | (b) Prefunding balance |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|
| <b>7</b> Balance at beginning of prior year after applicable adjustments (line 13 from prior year) .....                                                            | 159,300,039           | 393,127,242            |
| <b>8</b> Portion elected for use to offset prior year's funding requirement (line 35 from prior year) .....                                                         | 121,400,000           | 0                      |
| <b>9</b> Amount remaining (line 7 minus line 8) .....                                                                                                               | 37,900,039            | 393,127,242            |
| <b>10</b> Interest on line 9 using prior year's actual return of <u>10.50%</u> .....                                                                                | 3979504               | 41278360               |
| <b>11</b> Prior year's excess contributions to be added to prefunding balance:                                                                                      |                       |                        |
| <b>a</b> Present value of excess contributions (line 38a from prior year) .....                                                                                     |                       | 118241416              |
| <b>b(1)</b> Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>6.73%</u> ..... |                       | 0                      |
| <b>b(2)</b> Interest on line 38b from prior year Schedule SB, using prior year's actual return .....                                                                |                       | 12,415,349             |
| <b>c</b> Total available at beginning of current plan year to add to prefunding balance .....                                                                       |                       | 130656765              |
| <b>d</b> Portion of (c) to be added to prefunding balance .....                                                                                                     |                       | 130656765              |
| <b>12</b> Other reductions in balances due to elections or deemed elections .....                                                                                   | 0                     | 0                      |
| <b>13</b> Balance at beginning of current year (line 9 + line 10 + line 11d – line 12) .....                                                                        | 41,879,543            | 565062367              |

**Part III Funding Percentages**

|                                                                                                                                                                            |           |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------|
| <b>14</b> Funding target attainment percentage .....                                                                                                                       | <b>14</b> | 95.46 %  |
| <b>15</b> Adjusted funding target attainment percentage .....                                                                                                              | <b>15</b> | 107.72 % |
| <b>16</b> Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement ..... | <b>16</b> | 100.31 % |
| <b>17</b> If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage. ....                                        | <b>17</b> | %        |

**Part IV Contributions and Liquidity Shortfalls**

| <b>18</b> Contributions made to the plan for the plan year by employer(s) and employees: |                                   |                                 |                          |                                   |                                 |
|------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|--------------------------|-----------------------------------|---------------------------------|
| (a) Date<br>(MM-DD-YYYY)                                                                 | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 12/01/2015                                                                               | 397,000,000                       |                                 |                          |                                   |                                 |
| 09/01/2016                                                                               | 449,000,000                       |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
| <b>Totals ▶</b>                                                                          |                                   |                                 | <b>18(b)</b>             | 846,000,000                       | <b>18(c)</b> 0                  |

|                                                                                                                                      |                        |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| <b>19</b> Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year: |                        |
| <b>a</b> Contributions allocated toward unpaid minimum required contributions from prior years .....                                 | <b>19a</b> 0           |
| <b>b</b> Contributions made to avoid restrictions adjusted to valuation date .....                                                   | <b>19b</b> 0           |
| <b>c</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date .....              | <b>19c</b> 778,707,585 |

|                                                                                                                         |                                                                     |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>20</b> Quarterly contributions and liquidity shortfalls:                                                             |                                                                     |
| <b>a</b> Did the plan have a "funding shortfall" for the prior year? .....                                              | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>b</b> If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ..... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>c</b> If line 20a is "Yes," see instructions and complete the following table as applicable:                         |                                                                     |

## Liquidity shortfall as of end of quarter of this plan year

| (1) 1st | (2) 2nd | (3) 3rd | (4) 4th |
|---------|---------|---------|---------|
| 0       | 0       | 0       | 0       |

**Part V Assumptions Used to Determine Funding Target and Target Normal Cost****21** Discount rate:**a** Segment rates:1st segment:  
4.72 %2nd segment:  
6.11 %3rd segment:  
6.81 %☐ N/A, full yield curve used**b** Applicable month (enter code) .....**21b**

4

**22** Weighted average retirement age .....**22**

61

**23** Mortality table(s) (see instructions) ☐ Prescribed - combined☒ Prescribed - separate☐ Substitute**Part VI Miscellaneous Items****24** Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... ☒ Yes ☐ No**25** Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. .... ☒ Yes ☐ No**26** Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment. .... ☒ Yes ☐ No**27** If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment .....**27****Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years****28** Unpaid minimum required contributions for all prior years .....**28**

0

**29** Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a) .....**29**

0

**30** Remaining amount of unpaid minimum required contributions (line 28 minus line 29) .....**30**

0

**Part VIII Minimum Required Contribution For Current Year****31** Target normal cost and excess assets (see instructions):**a** Target normal cost (line 6) .....**31a**

210,053,850

**b** Excess assets, if applicable, but not greater than line 31a .....**31b**

0

**32** Amortization installments:

Outstanding Balance

Installment

**a** Net shortfall amortization installment .....

224,582,587

37,348,762

**b** Waiver amortization installment .....

0

0

**33** If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_) and the waived amount .....**33**

0

**34** Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33) .....**34**

247,402,612

Carryover balance

Prefunding balance

Total balance

**35** Balances elected for use to offset funding requirement .....

41,879,543

101,120,457

143,000,000

**36** Additional cash requirement (line 34 minus line 35) .....**36**

104,402,612

**37** Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c) .....**37**

778,707,585

**38** Present value of excess contributions for current year (see instructions)**a** Total (excess, if any, of line 37 over line 36) .....**38a**

674,304,973

**b** Portion included in line 38a attributable to use of prefunding and funding standard carryover balances .....**38b**

143,000,000

**39** Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37) .....**39**

0

**40** Unpaid minimum required contributions for all years .....**40**

0

**Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)****41** If an election was made to use PRA 2010 funding relief for this plan:**a** Schedule elected .....☐ 2 plus 7 years☐ 15 years**b** Eligible plan year(s) for which the election in line 41a was made .....☐ 2008☐ 2009☐ 2010☐ 2011**42** Amount of acceleration adjustment .....**42**

0

**43** Excess installment acceleration amount to be carried over to future plan years .....**43**

0



**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB  
UPS PENSION PLAN**

**EIN: 95-1732075/PN: 022**

**Schedule SB, Line 22 - Description of Weighted Average Retirement Age**

**Sample Calculation of Retirement Age For Part-Time Teamster Employees with less than 25 years of Service**

| <i>Retirement<br/>Age<br/>(1)</i> | <i>Assumed<br/>Rate<br/>(2)</i> | <i>Participants<br/>At Beginning<br/>(3)</i> | <i>Participants<br/>Retiring: (2)x(3)<br/>(4)</i> | <i>(1)*(4)<br/>(5)</i> |
|-----------------------------------|---------------------------------|----------------------------------------------|---------------------------------------------------|------------------------|
| 50                                | 0.02                            | 1,000.00                                     | 20.00                                             | 1,000.00               |
| 51                                | 0.02                            | 980.00                                       | 19.60                                             | 999.60                 |
| 52                                | 0.02                            | 960.40                                       | 19.21                                             | 998.92                 |
| 53                                | 0.02                            | 941.19                                       | 18.82                                             | 997.46                 |
| 54                                | 0.02                            | 922.37                                       | 18.45                                             | 996.30                 |
| 55                                | 0.03                            | 903.92                                       | 22.60                                             | 1,243.00               |
| 56                                | 0.03                            | 881.32                                       | 22.03                                             | 1,233.68               |
| 57                                | 0.03                            | 859.29                                       | 21.48                                             | 1,224.36               |
| 58                                | 0.03                            | 837.81                                       | 20.95                                             | 1,215.10               |
| 59                                | 0.03                            | 816.86                                       | 24.51                                             | 1,446.09               |
| 60                                | 0.04                            | 792.35                                       | 27.73                                             | 1,663.80               |
| 61                                | 0.04                            | 764.62                                       | 26.76                                             | 1,632.36               |
| 62                                | 0.08                            | 737.86                                       | 59.03                                             | 3,659.86               |
| 63                                | 0.08                            | 678.83                                       | 54.31                                             | 3,421.53               |
| 64                                | 0.08                            | 624.52                                       | 49.96                                             | 3,197.44               |
| 65                                | 0.20                            | 574.56                                       | 114.91                                            | 7,469.15               |
| 66                                | 0.20                            | 459.65                                       | 91.93                                             | 6,067.38               |
| 67                                | 0.20                            | 367.72                                       | 73.54                                             | 4,927.18               |
| 68                                | 0.20                            | 294.18                                       | 58.84                                             | 4,001.12               |
| 69                                | 0.20                            | 235.34                                       | 47.07                                             | 3,247.83               |
| 70                                | 1.00                            | 188.27                                       | <u>188.27</u>                                     | <u>13,178.90</u>       |
|                                   |                                 |                                              | 1,000.00                                          | 63,821.06              |
| 63,821.06 / 1,000 = 64            |                                 |                                              |                                                   |                        |

**Sample Calculation of Retirement Age For Part-Time Teamster Employees with 25 or more years of Service**

| <i>Retirement<br/>Age<br/>(1)</i> | <i>Assumed<br/>Rate<br/>(2)</i> | <i>Participants<br/>At Beginning<br/>(3)</i> | <i>Participants<br/>Retiring: (2)x(3)<br/>(4)</i> | <i>(1)*(4)<br/>(5)</i> |
|-----------------------------------|---------------------------------|----------------------------------------------|---------------------------------------------------|------------------------|
| 50                                | 0.03                            | 1,000.00                                     | 30.00                                             | 1,500.00               |
| 51                                | 0.03                            | 970.00                                       | 29.10                                             | 1,484.10               |
| 52                                | 0.03                            | 940.90                                       | 28.23                                             | 1,467.96               |
| 53                                | 0.03                            | 912.67                                       | 27.38                                             | 1,451.14               |
| 54                                | 0.03                            | 885.29                                       | 26.56                                             | 1,434.24               |
| 55                                | 0.08                            | 858.73                                       | 68.70                                             | 3,778.50               |
| 56                                | 0.08                            | 790.03                                       | 63.20                                             | 3,539.20               |
| 57                                | 0.08                            | 726.83                                       | 58.15                                             | 3,314.55               |
| 58                                | 0.08                            | 668.68                                       | 53.49                                             | 3,102.42               |
| 59                                | 0.08                            | 615.19                                       | 49.22                                             | 2,903.98               |
| 60                                | 0.10                            | 565.97                                       | 56.60                                             | 3,396.00               |
| 61                                | 0.15                            | 509.37                                       | 76.41                                             | 4,661.01               |
| 62                                | 0.20                            | 432.96                                       | 86.59                                             | 5,368.58               |
| 63                                | 0.15                            | 346.37                                       | 51.96                                             | 3,273.48               |
| 64                                | 0.15                            | 294.41                                       | 44.16                                             | 2,826.24               |
| 65                                | 0.20                            | 250.25                                       | 50.05                                             | 3,253.25               |
| 66                                | 0.20                            | 200.20                                       | 40.04                                             | 2,642.64               |
| 67                                | 0.20                            | 160.16                                       | 32.03                                             | 2,146.01               |
| 68                                | 0.20                            | 128.13                                       | 25.63                                             | 1,742.84               |
| 69                                | 0.20                            | 102.50                                       | 20.50                                             | 1,414.50               |
| 70                                | 1.00                            | 82.00                                        | <u>82.00</u>                                      | <u>5,740.00</u>        |
|                                   |                                 |                                              | 1,000.00                                          | 60,440.64              |
| 60,440.64 / 1,000 = 60            |                                 |                                              |                                                   |                        |

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB  
UPS PENSION PLAN**

**EIN: 95-1732075/PN: 022**

**Schedule SB, Line 22 - Description of Weighted Average Retirement Age**

**Sample Calculation for Freight Employees**

| <i>Retirement<br/>Age<br/>(1)</i> | <i>Assumed<br/>Rate<br/>(2)</i> | <i>Participants<br/>At Beginning<br/>(3)</i> | <i>Participants<br/>Retiring: (2)x(3)<br/>(4)</i> | <i>(1)*(4)<br/>(5)</i> |
|-----------------------------------|---------------------------------|----------------------------------------------|---------------------------------------------------|------------------------|
| 55                                | 0.05                            | 1,000.00                                     | 50.00                                             | 2,750.00               |
| 56                                | 0.05                            | 950.00                                       | 47.50                                             | 2,660.00               |
| 57                                | 0.05                            | 902.50                                       | 45.13                                             | 2,572.41               |
| 58                                | 0.05                            | 857.37                                       | 42.87                                             | 2,486.46               |
| 59                                | 0.05                            | 814.50                                       | 40.73                                             | 2,403.07               |
| 60                                | 0.12                            | 773.77                                       | 92.85                                             | 5,571.00               |
| 61                                | 0.12                            | 680.92                                       | 81.71                                             | 4,984.31               |
| 62                                | 0.25                            | 599.21                                       | 149.80                                            | 9,287.60               |
| 63                                | 0.25                            | 449.41                                       | 112.35                                            | 7,078.05               |
| 64                                | 0.25                            | 337.06                                       | 84.27                                             | 5,393.28               |
| 65                                | 0.25                            | 252.79                                       | 63.20                                             | 4,108.00               |
| 66                                | 0.25                            | 189.59                                       | 47.40                                             | 3,128.40               |
| 67                                | 0.25                            | 142.19                                       | 35.55                                             | 2,381.85               |
| 68                                | 0.25                            | 106.64                                       | 26.66                                             | 1,812.88               |
| 69                                | 0.25                            | 79.98                                        | 20.00                                             | 1,380.00               |
| 70                                | 1.00                            | 59.98                                        | <u>59.98</u>                                      | <u>4,198.60</u>        |
| 62,195.91 / 1,000 =               |                                 |                                              | 1,000.00                                          | 62,195.91              |
|                                   |                                 |                                              | 62                                                |                        |

Assumed retirement age is age 65 for other employees with less than 30 years of service.  
Upon reaching 30 years of service, retirement incidence is 25% per year until Normal Retirement Date.  
The weighting for the average retirement age is based on head count.

**Total Population weighted average retirement age = 61**

**ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB**  
**UPS PENSION PLAN**

EIN: 95-1732075/PN: 022

Schedule SB, Line 32 — Schedule of Amortization Bases as of January 1, 2015

| Type of Base | Date<br>Established | Initial Amount | Remaining<br>Amortization<br>Period (Years) | Outstanding<br>Balance | Amortization<br>Payment |
|--------------|---------------------|----------------|---------------------------------------------|------------------------|-------------------------|
| 1 Shortfall  | 01/01/2015          | 224,582,587    | 7                                           | 224,582,587            | 37,348,762              |
| Total        |                     |                |                                             | 224,582,587            | 37,348,762              |