

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan 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 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ► Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____	
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ☒		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)	

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

SIGN HERE	Filed with authorized/valid electronic signature.	10/17/2017	JOSEPH DOOLE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	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

3a Plan administrator's name and address ☒ Same as Plan Sponsor		3b Administrator's EIN	
		3c Administrator's telephone number	
4 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: a Sponsor's name		4b EIN	
		4c PN	
5 Total number of participants at the beginning of the plan year		5	206690
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).			
a(1) Total number of active participants at the beginning of the plan year.....		6a(1)	152305
a(2) Total number of active participants at the end of the plan year		6a(2)	143252
b Retired or separated participants receiving benefits.....		6b	12963
c Other retired or separated participants entitled to future benefits		6c	33487
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	189702
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	1527
f Total. Add lines 6d and 6e		6f	191229
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested		6h	7747
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 1B 1D			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply)		9b Plan benefit arrangement (check all that apply)	
(1) ☐ Insurance		(1) ☐ Insurance	
(2) ☐ Code section 412(e)(3) insurance contracts		(2) ☐ Code section 412(e)(3) insurance contracts	
(3) ☒ Trust		(3) ☒ Trust	
(4) ☐ General assets of the sponsor		(4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules		b General Schedules	
(1) ☒ R (Retirement Plan Information)		(1) ☒ H (Financial Information)	
(2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary		(2) ☐ I (Financial Information – Small Plan)	
(3) ☒ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		(3) ☐ A (Insurance Information)	
		(4) ☒ C (Service Provider Information)	
		(5) ☒ D (DFE/Participating Plan Information)	
		(6) ☐ G (Financial Transaction Schedules)	

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

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.

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

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 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 _____

SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Single-Employer Defined Benefit Plan Actuarial Information 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). ▶ File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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

Part I	Basic Information
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2016</u>	
2 Assets:	
a Market value	2a <u>6148397024</u>
b Actuarial value	2b <u>6335721263</u>
3 Funding target/participant count breakdown	
a For retired participants and beneficiaries receiving payment	(1) Number of participants <u>11776</u> (2) Vested Funding Target <u>1071313123</u> (3) Total Funding Target <u>1071313123</u>
b For terminated vested participants	<u>42688</u> <u>736950094</u> <u>736950094</u>
c For active participants	<u>152086</u> <u>3477050109</u> <u>3744493418</u>
d Total	<u>206550</u> <u>5285313326</u> <u>5552756635</u>
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐	
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 <u>6.35 %</u>
6 Target normal cost	6 <u>231456832</u>

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	
Signature of actuary	<u>10/11/2017</u> Date
<u>TIMOTHY HOPPIN, F.S.A., E.A.</u> Type or print name of actuary	<u>17-07404</u> Most recent enrollment number
<u>TOWERS WATSON DELAWARE INC.</u> Firm name	<u>404-224-5000</u> Telephone number (including area code)
<u>FIVE CONCOURSE PARKWAY SUITE 1800 ATLANTA, GA 30328</u> Address of the firm	

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, see the Instructions for Form 5500 or 5500-SF.

**Schedule SB (Form 5500) 2016
v. 160205**

Part II Beginning of Year Carryover and Prefunding Balances		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	41879543	565062367
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	41879543	101120457
9	Amount remaining (line 7 minus line 8)	0	463941910
10	Interest on line 9 using prior year's actual return of 0.06%	0	278365
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		674304973
b(1)	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 6.53%		34694215
b(2)	Interest on line 38b from prior year Schedule SB, using prior year's actual return		85800
c	Total available at beginning of current plan year to add to prefunding balance		709084988
d	Portion of (c) to be added to prefunding balance		673500618
12	Other reductions in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	1137720893

Part III Funding Percentages			
14	Funding target attainment percentage	14	93.61%
15	Adjusted funding target attainment percentage	15	114.10%
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	96.31%
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
12/01/2016	300000000				
03/01/2017	784000000				
Totals ►			18(b)	1084000000	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:	
a Contributions allocated toward unpaid minimum required contributions from prior years	19a 0
b Contributions made to avoid restrictions adjusted to valuation date	19b 0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c 1013201392
20 Quarterly contributions and liquidity shortfalls:	
a Did the plan have a "funding shortfall" for the prior year?	☒ Yes ☐ No
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?	☒ Yes ☐ No
c 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:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">1st segment: 4.43%</td> <td style="width: 33%;">2nd segment: 5.91%</td> <td style="width: 33%;">3rd segment: 6.65%</td> </tr> </table>	1st segment: 4.43%	2nd segment: 5.91%	3rd segment: 6.65%	☐ N/A, full yield curve used
1st segment: 4.43%	2nd segment: 5.91%	3rd segment: 6.65%				
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	231456832			
b	Excess assets, if applicable, but not greater than line 31a	31b	0			
32	Amortization installments:	Outstanding Balance	Installment			
a	Net shortfall amortization installment	354756265	62986497			
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	294443329			
		Carryover balance	Prefunding balance			
35	Balances elected for use to offset funding requirement	0	218000000			
36	Additional cash requirement (line 34 minus line 35)	36	76443329			
37	Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	1013201392			
38	Present value of excess contributions for current year (see instructions)					
a	Total (excess, if any, of line 37 over line 36)	38a	936758063			
b	Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	218000000			
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			

<div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor 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
		2016
		This Form is Open to Public Inspection.

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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

Part I	Service Provider Information (see instructions)
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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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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)

XEROX CORPORATION

16-0468020

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	NONE	490240	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

THE BANK OF NEW YORK MELLON

13-5160382

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
18	NONE	238016	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

UNITED PARCEL SERVICE

95-1732075

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	PARTY IN INTEREST	132750	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

53-0181291

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	NONE	102251	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

RR DONNELLEY

36-1004130

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	NONE	91564	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

DIRECT TECHNOLOGIES

58-2563032

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	NONE	71384	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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)

DELOITTE & TOUCHE

13-3891517

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
36	NONE	62900	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

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

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

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

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 (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 (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 (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)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small>	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 <div style="border: 1px solid black; text-align: center; padding: 5px; font-weight: bold; font-size: 1.2em;">2016</div> This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
--------	--

a Name of MTIA, CCT, PSA, or 103-12 IE: UPS GROUP TRUST PLAN

b Name of sponsor of entity listed in (a): UNITED PARCEL SERVICE OF AMERICA

c EIN-PN 35-2371556-001	d Entity code M	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 6348040818
--	--	--

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)
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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)
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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)
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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)
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For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

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

SCHEDULE H (Form 5500) Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information 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). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016		
A Name of plan UPS PENSION PLAN	B Three-digit plan number (PN) ►	022
C Plan sponsor's name as shown on line 2a of Form 5500 UNITED PARCEL SERVICE OF AMERICA, INC.	D Employer Identification Number (EIN) 95-1732075	

Part I	Asset and Liability Statement
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1 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. **Round off amounts to the nearest dollar.** 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.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	449000000	234000000
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		37929
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	7	3702
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)	0	
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	5719111616	6348040818
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	173764	44632517
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other.....	1c(15)		914033

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	6168285387	6627628999

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	6168285387	6627628999
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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
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	534000000	
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		534000000
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	39218	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		39218
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		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)		350685037
(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 income amounts in column (b) and enter total.....	2d		884724255

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	382254770	
(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)		382254770
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)	43125873	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		43125873
j Total expenses. Add all expense amounts in column (b) and enter total	2j		425380643

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		459343612
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

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:

a 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.).....

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.)

	Yes	No	Amount
4a		X	
4b		X	

		Yes	No	Amount
c 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.)	4c		X	
d 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.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g 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?	4g		X	
h 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?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j 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.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n 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.	4n			
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

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)

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
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year 4030888. (See instructions.)

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

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

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

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

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	
2 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): EIN(s): _____ Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	<u>12318</u>

Part II	Funding Information (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.)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☒ N/A
If the plan is a defined benefit plan, go to line 8.			
5 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. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c 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)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 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?	☐ Yes	☒ No	☐ N/A

Part III	Amendments
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9 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.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (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.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
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.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

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): _____

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
	a The current year	14a	
	b The plan year immediately preceding the current plan year	14b	
	c The second preceding plan year	14c	
15	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:		
	a The corresponding number for the plan year immediately preceding the current plan year	15a	
	b The corresponding number for the second preceding plan year	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	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	16b	
17	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. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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18	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	☐
19	If the total number of participants is 1,000 or more, complete lines (a) through (c)	
	a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%	
	b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more	
	c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____	

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	

UPS Pension Plan

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

Financial Statements as of and for the
Years Ended December 31, 2016 and 2015,
Supplemental Schedule as of December 31, 2016,
and Independent Auditors' Report

UPS PENSION PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

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 benefits as of December 31, 2016 and 2015, and the related statements of changes in net assets available for 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 controls 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.

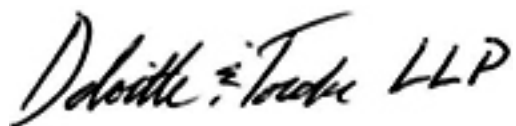
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the UPS Pension Plan's net assets available for benefits as of December 31, 2016, and the changes therein for the year then ended and its financial status as of December 31, 2015, and the changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedule

Our audits were 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, 2016, 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 audits 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 black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 16, 2017

UPS PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2016 AND 2015 (In millions)

	2016	2015
ASSETS:		
Investments—at fair value:		
Plan interest in the UPS Master Trust	\$6,348	\$5,719
Investments held outside the UPS Master Trust	<u>45</u>	<u>-</u>
Total investments	6,393	5,719
Contributions receivable	234	449
Pension Benefit Guaranty Corporation Premium receivable	<u>1</u>	<u>-</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$6,628</u>	<u>\$6,168</u>

See notes to financial statements.

UPS PENSION PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In millions)

	2016	2015
NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year	<u>\$6,168</u>	<u>\$5,466</u>
ADDITIONS:		
Employer Contributions	534	846
Net investment income/(loss)—interest in UPS Master Trust investment income	<u>351</u>	<u>(1)</u>
Total additions	<u>885</u>	<u>845</u>
DEDUCTIONS:		
Benefits paid to Plan beneficiaries	382	95
Administrative expenses:		
Fees and commissions	1	1
Insurance premiums to Pension Benefit Guaranty Corporation	<u>42</u>	<u>47</u>
Total deductions	<u>425</u>	<u>143</u>
NET INCREASE	<u>460</u>	<u>702</u>
NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year	<u>\$6,628</u>	<u>\$6,168</u>

See notes to financial statements.

UPS PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 \$534 million and \$846 million to the Plan for the years ended December 31, 2016 and 2015, respectively. These amounts included \$234 million remitted on March 1, 2017 and \$449 million remitted on September 1, 2016 for 2016 and 2015, respectively, 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, 2016 and 2015.

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.

Lump Sum Distribution – During the fourth quarter of 2016, certain plan participants and surviving spouses were offered the option to receive a one-time payment of their vested benefit. Approximately 11,500 participants accepted this option, accelerating \$271 million in benefit payments during 2016 while reducing the number of participants who are due future payments from the plan.

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, 2016 and 2015, 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 United Parcel Service, Inc. (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 is reported based on certain assumptions 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, but which 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. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in the totals in the tables shown in Note 7. See a further description in Note 7. Purchases and sales are recorded on a trade-date basis. Interest is recorded on an 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, 2016, subsequent events were evaluated through October 16, 2017, 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 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 elected to early adopt ASU No. 2015-12 as of December 31, 2015, as permitted, and applied the provisions of ASU No. 2015-12 retrospectively, as required. There are no effects on the statements of net assets available for plan benefits or the changes therein.

There are no pending or adopted standards for 2016.

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, 2016 and 2015, are as follows:

	2016	2015
Mortality	The RP-2014 healthy blue collar mortality table, with MP-2016 mortality improvements after 2007 assuming the long-term rate of mortality improvement phases down to 0.5% by 2022.	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	62.0	61.9

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, 2016 and 2015, are as follows (in millions):

	2016	2015
Vested benefits:		
Other participants	\$2,956	\$2,903
Participants and/or beneficiaries currently receiving benefits	<u>830</u>	<u>707</u>
Total vested benefits	3,786	3,610
Nonvested benefits	<u>210</u>	<u>203</u>
Total actuarial present value of accumulated plan benefits	<u>\$3,996</u>	<u>\$3,813</u>

The changes in the actuarial present values of the Plan's accumulated plan benefits for the years ended December 31, 2016 and 2015, are as follows (in millions):

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)
Plan amendments	67
Decrease in the discount period	<u>316</u>
Actuarial present value of accumulated plan benefits—December 31, 2015	3,813
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	115
Benefit payments**	(382)
Actuarial assumption changes***	(46)
Actuarial loss	157
Decrease in the discount period	<u>339</u>
Actuarial present value of accumulated plan benefits—December 31, 2016	<u>\$3,996</u>

* 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.

** Reflects 11,469 lump sum elections made as part of the December 2016 lump sum opportunity.

*** Reflects update of mortality improvement scale table from modified MP-2014 to modified MP-2016.

5. INTEREST IN MASTER TRUST

As of December 31, 2016 and 2015, 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, 2016 and 2015, is summarized as follows (in millions):

	2016	2015
Investments:		
U.S. government securities	\$ 6,364	\$ 4,366
103-12 investment entities—hedge funds	423	365
Common and collective trusts	3,871	2,665
Common and preferred stock	8,031	9,082
Corporate debt instruments	5,157	4,105
Interest-bearing cash	153	36
Derivative instruments and other investments	170	356
Partnerships, joint ventures, and real estate	6,778	8,084
Registered investment companies	<u>1,229</u>	<u>923</u>
Total investments	<u>32,176</u>	<u>29,982</u>
Unsettled securities transactions receivable (payable):		
Interest and dividends	78	72
Due from brokers	86	153
Accrued expenses	(1)	(1)
Other payables*	<u>(189)</u>	<u>(294)</u>
Total unsettled securities transactions payable	<u>(26)</u>	<u>(70)</u>
Contributions receivable	<u>791</u>	<u>1,161</u>
Net assets of the Master Trust	<u>\$32,941</u>	<u>\$31,073</u>
Net assets of the Master Trust—excluding contribution receivable	<u>\$32,150</u>	<u>\$29,912</u>
Plan's interest in Master Trust as a percentage of the total, rounded	<u>20 %</u>	<u>20 %</u>

* Other payables includes \$64 million and \$99 million as of December 31, 2016 and 2015, respectively, of payables related to derivative instruments valued using observable market inputs.

The net investment earnings of the Master Trust for the years ended December 31, 2016 and 2015, are summarized below (in millions):

	2016	2015
Dividend and interest income	\$ 480	\$ 432
Net appreciation (depreciation) in fair value of investments	1,461	(324)
Master Trust administrative expenses	<u>(106)</u>	<u>(95)</u>
Investment income of Master Trust	<u>\$1,835</u>	<u>\$ 13</u>
Plan's interest in investment income of Master Trust	<u>\$ 351</u>	<u>\$ (1)</u>

6. INVESTMENTS

As of December 31, 2016 and 2015, 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 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 ask 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, certain equity instruments 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 fair value of the underlying investments 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 Note 7. These investments include fixed income, hedge funds, private equity, credit and real estate. 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. Investments in fixed income, private equity, credit and real estate are valued using fair values per the most recent partnership audited financial statements, adjusted, as appropriate, for any activity between the date of the financial reports and December 31. These assets are invested in limited partnership interests in various private equity, private debt and real estate funds. 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 \$3,871 million and \$2,665 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, 2016 and 2015, 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, 2016 and 2015.

The Master Trust held approximately \$4,171 million and \$3,085 million of its investments in limited partnership interests in various private equity, credit and real estate funds as of December 31, 2016 and 2015, 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, 2016 and 2015, unfunded commitments to such limited partnerships totaling approximately \$1,908 million and \$1,855 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

The Master Trust held certain investments in limited partnership interests in various fixed income funds as of December 31, 2016 and 2015. No unfunded commitments existed with respect to fixed income funds as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, approximately \$2,708 million and \$4,186 million of the Master Trust investments are held in 20 and 23 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, 2016 and 2015, unfunded commitments to such hedge funds totaling approximately \$5 million and \$234 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between two and four years.

As of December 31, 2016 and 2015, 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, 2016.

Master Trust Assets				
Fair Value Measurements at December 31, 2016**				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common and preferred stocks:				
Emerging markets	\$ 1,191	\$ -	\$ -	\$ 1,191
Fixed income	-	16	-	16
Global equity	2,540	-	-	2,540
International equity	1,817	-	-	1,817
Real estate	126	140	-	266
U.S. large cap	1,779	-	-	1,779
U.S. small cap	<u>422</u>	<u>-</u>	<u>-</u>	<u>422</u>
Total common and preferred stocks	<u>7,875</u>	<u>156</u>	<u>-</u>	<u>8,031</u>
Corporate debt instruments	<u>-</u>	<u>5,157</u>	<u>-</u>	<u>5,157</u>
U.S. government securities	<u>6,001</u>	<u>363</u>	<u>-</u>	<u>6,364</u>
Interest-bearing cash	<u>12</u>	<u>141</u>	<u>-</u>	<u>153</u>
Registered investment companies:				
Emerging markets	102	-	-	102
Fixed income	-	-	-	-
Global equity	55	-	-	55
International equity	292	-	-	292
U.S. large cap	780	-	-	780
U.S. small cap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total registered investment companies	<u>1,229</u>	<u>-</u>	<u>-</u>	<u>1,229</u>
Collective trust funds:				
Emerging markets	-	165	-	165
Global equity	-	50	-	50
International equity	-	858	-	858
U.S. large cap	-	2,646	-	2,646
U.S. small cap	<u>-</u>	<u>152</u>	<u>-</u>	<u>152</u>
Total collective trust funds	<u>-</u>	<u>3,871</u>	<u>-</u>	<u>3,871</u>
Derivative instruments and other investments	<u>-</u>	<u>170</u>	<u>-</u>	<u>170</u>
Partnerships, joint ventures, and real estate:				
Emerging markets	-	-	-	-
Fixed income*	-	-	-	321
Global equity ^y	1	-	-	1
Hedge funds*	-	481	-	2,285
Private equity*	-	-	-	1,850
Credit*	-	303	-	813
Real estate*	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508</u>
Total partnerships, joint ventures, and real estate	<u>1</u>	<u>784</u>	<u>-</u>	<u>6,778</u>
103-12 investment entities—hedge funds*	<u>-</u>	<u>-</u>	<u>-</u>	<u>423</u>
Total investments	<u>\$ 15,118</u>	<u>\$ 10,642</u>	<u>\$ -</u>	<u>\$ 32,176</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, 2015:

Master Trust Assets				
Fair Value Measurements at December 31, 2015**				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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*	-	-	-	1,148
Global equity ^y	1	-	-	1
Hedge funds*	-	-	-	3,821
Private equity*	-	-	-	1,475
Real estate*	<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*	<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>

* 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.

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, 2016 and 2015:

	Corporate Debt Instruments
Beginning balance—January 1, 2015	\$ 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	6
Actual return on assets:	
Assets held at end of year	-
Assets sold during the year	-
Purchases	-
Sales	(1)
Settlements	-
Transfers in and/or out of level 3	<u>(5)</u>
Ending balance—December 31, 2016	<u>\$ -</u>

The valuation methods as described in Note 6 may produce a fair value estimate 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, 2016 (in millions):

	(i)	(ii)	(iii) = (i) - (ii)	(iv)	(v) = (iii) - (iv)
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits	
Instrument Type	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Assets Presented in the Statement of Net Assets Available for Benefits	Financial Instruments	Cash Collateral Received
Credit default swaps	\$ 5	\$ -	\$ 5	\$ -	\$ (5)
Forward contracts	31	(16)	15	-	-
Futures contracts	-	-	-	-	-
Interest rate swaps	1	(1)	-	-	-
Securities lending	203	-	203	(208)	-
Repurchase agreements	-	-	-	-	-
Swaptions	<u>7</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial instruments	<u>\$247</u>	<u>\$(24)</u>	<u>\$223</u>	<u>\$(208)</u>	<u>\$ (5)</u>
					<u>\$ 10</u>

	(i)	(ii)	(iii) = (i)–(ii)	(iv)		(v) = (iii)–(iv)
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits		
			Net Amounts of Liabilities Presented in the			
Instrument Type	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Statement of Net Assets Available for Benefits	Financial Instruments	Cash Collateral Pledged	Net Amount
Credit default swaps	\$ 1	\$ -	\$ 1	\$ -	\$ (1)	\$ -
Forward contracts	21	(16)	5	-	(4)	1
Futures contracts	1	-	1	-	(4)	(3)
Interest rate swaps	6	(1)	5	-	-	5
Securities lending	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Swaptions	<u>8</u>	<u>(7)</u>	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Total financial instruments	\$37	\$ (24)	\$13	\$ -	\$(10)	\$ 3

At December 31, 2016, the Master Trust held \$5 million in collateral under derivative instruments and \$208 million in collateral under securities lending agreements. The Master Trust pledged collateral of \$10 million under derivative contracts at December 31, 2016.

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 Offset in the Statement of Net Assets Available for Benefits		
			Net Amounts of Assets Presented in the Statement of Net Assets Available for Benefits			
Instrument Type	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Net Assets Available for Benefits		Financial Instruments	Cash Collateral Received	Net 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	\$757	\$ (2)	\$755	\$(316)	\$ (7)	\$432

	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v) = (iii)–(iv)	
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits		
		Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Liabilities Presented in the Statement of Net Assets Available for Benefits			
Instrument Type	Gross Amounts of Recognized Liabilities			Financial Instruments	Cash Collateral Pledged	Net 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	\$ 54	\$ (2)	\$52	\$ -	\$ (14)	\$38

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.

8. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated April 14, 2016, 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, 2016, 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 2013.

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 \$0.2 million and \$0.1 million for the years ended December 31, 2016 and 2015, respectively.

The Company provides accounting and administrative services to the Plan. The Company 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, 2016 and 2015, 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, 2016 and 2015.

11. SUBSEQUENT EVENTS

UPS remitted \$784 million in contributions to the Plan on March 1, 2017 in respect of 2016, of which \$234 million was planned prior to December 31, 2016 and is shown as contributions receivable in the statements of net assets available for benefits.

* * * * *

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, 2016**

(a) Identity of Issuer, Borrower, Lessor, or Similar Party	(b) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(c) Cost	(d) Current Value
REGISTERED INVESTMENT COMPANIES: DREYFUS TREAS & AGY CSH CSH MG 996085247	VAR RT 12/31/2049 DD 04/09/97	<u>\$ 44,632,517</u>	<u>\$ 44,632,517</u>
TOTAL INVESTMENTS HELD OUTSIDE OF MASTER TRUST		<u>\$ 44,632,517</u>	<u>\$ 44,632,517</u>

**SCHEDULE SB
(Form 5500)**Department of the Treasury
Internal Revenue Service
Department of Labor
Employee Benefits Security Administration
Pension Benefit Guaranty Corporation**Single-Employer Defined Benefit Plan
Actuarial Information**

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).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2016**This Form is Open to Public
Inspection**For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016▶ **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 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 UNITED PARCEL SERVICE OF AMERICA, INC.,	D Employer Identification Number (EIN) 95-1732075
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I Basic Information

1 Enter the valuation date: Month <u>1</u> Day <u>1</u> Year <u>2016</u>			
2 Assets:			
a Market value.....	2a	6,148,397,024	
b Actuarial value.....	2b	6,335,721,263	
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.....	11,776	1,071,313,123	1,071,313,123
b For terminated vested participants.....	42,688	736,950,094	736,950,094
c For active participants.....	152,086	3,477,050,109	3,744,493,418
d Total.....	206,550	5,285,313,326	5,552,756,635
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐			
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	6.35 %	
6 Target normal cost.....	6	231,456,832	

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	<u>TH</u>	<u>10/11/17</u>
Signature of actuary		Date
<u>TIMOTHY HOPPIN, F.S.A., F.A.</u>		<u>17-07404</u>
Type or print name of actuary		Most recent enrollment number
<u>TOWERS WATSON DELAWARE INC.</u>		<u>(404) 224-5000</u>
Firm name		Telephone number (including area code)
<u>FIVE CONCOURSE PARKWAY SUITE 1800</u>		
<u>ATLANTA</u>		<u>GA 30328</u>
Address of the firm		

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, see the Instructions for Form 5500 or 5500-SF.****Schedule SB (Form 5500) 2016
v. 160205**

Part II Beginning of Year Carryover and Prefunding Balances		
	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year).....	41,879,543	565,062,367
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year).....	41,879,543	101,120,457
9 Amount remaining (line 7 minus line 8).....	0	463,941,910
10 Interest on line 9 using prior year's actual return of <u>0.06</u> %.....	0	278365
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year).....		674304973
b(1) 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>6.53</u> %.....		34694215
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return.....		85,800
c Total available at beginning of current plan year to add to prefunding balance.....		709084988
d Portion of (c) to be added to prefunding balance.....		673500618
12 Other reductions in balances due to elections or deemed elections.....	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12).....	0	1137720893

Part III Funding Percentages		
14 Funding target attainment percentage	14	93.61%
15 Adjusted funding target attainment percentage.....	15	114.10%
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	96.31%
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....	17	%

Part IV Contributions and Liquidity Shortfalls					
18 Contributions made to the plan for the plan year by employer(s) and employees:					
(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
12/01/2016	300,000,000				
03/01/2017	784,000,000				
Totals ▶			18(b)	1,084,000,000	18(c)
					0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:		
a Contributions allocated toward unpaid minimum required contributions from prior years.....	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	1,013,201,392
20 Quarterly contributions and liquidity shortfalls:		
a Did the plan have a "funding shortfall" for the prior year?.....	☒ Yes ☐ No	
b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner?.....	☒ Yes ☐ No	
c 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	(4) 4th
0	0	0

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

21 Discount rate:				
a Segment rates:	1st segment: 4.43 %	2nd segment: 5.91 %	3rd segment: 6.65 %	☐ 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	231,456,832
b Excess assets, if applicable, but not greater than line 31a		31b	0
32 Amortization installments:		Outstanding Balance	Installment
a Net shortfall amortization installment.....		354,756,265	62,986,497
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	294,443,329
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement.....	0	218,000,000	218,000,000
36 Additional cash requirement (line 34 minus line 35).....		36	76,443,329
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c).....		37	1,013,201,392
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)		38a	936,758,063
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances		38b	218,000,000
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 2016 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 Age (1)</i>	<i>Assumed Rate (2)</i>	<i>Participants At Beginning (3)</i>	<i>Participants Retiring: (2)x(3) (4)</i>	<i>(1)*(4) (5)</i>
50	0.020	1,000.00	20.00	1,000.00
51	0.020	980.00	19.60	999.60
52	0.020	960.40	19.21	998.92
53	0.020	941.19	18.82	997.46
54	0.020	922.37	18.45	996.30
55	0.025	903.92	22.60	1,243.00
56	0.025	881.32	22.03	1,233.68
57	0.025	859.29	21.48	1,224.36
58	0.025	837.81	20.95	1,215.10
59	0.030	816.86	24.51	1,446.09
60	0.035	792.35	27.73	1,663.80
61	0.035	764.62	26.76	1,632.36
62	0.080	737.86	59.03	3,659.86
63	0.080	678.83	54.31	3,421.53
64	0.080	624.52	49.96	3,197.44
65	0.200	574.56	114.91	7,469.15
66	0.200	459.65	91.93	6,067.38
67	0.200	367.72	73.54	4,927.18
68	0.200	294.18	58.84	4,001.12
69	0.200	235.34	47.07	3,247.83
70	1.000	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 Age (1)</i>	<i>Assumed Rate (2)</i>	<i>Participants At Beginning (3)</i>	<i>Participants Retiring: (2)x(3) (4)</i>	<i>(1)*(4) (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 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN**

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

Sample Calculation for Freight Employees

<i>Retirement Age (1)</i>	<i>Assumed Rate (2)</i>	<i>Participants At Beginning (3)</i>	<i>Participants Retiring: (2)x(3) (4)</i>	<i>(1)x(4) (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>
			1,000.00	62,195.91
62,195.91 / 1,000 = 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 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN**

EIN: 95-1732075/PN: 022

Schedule SB, Line 24 — Change in Assumptions

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

1. Assumed administrative expenses were changed from \$48,000,000 in 2015 to \$47,000,000 in 2016.

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Schedule SB, Line 26 — Schedule of Active Participant Data

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

		Total Years of Credited Service										Total
Attained Age		<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	864	10,677	588								12,129
	Average Compensation	N/A	N/A	N/A								N/A
25 to 29	Count	710	9,995	7,660	519							18,884
	Average Compensation	N/A	N/A	N/A	88,154							88,154
30 to 34	Count	388	6,890	6,447	4,412	362						18,499
	Average Compensation	N/A	N/A	102,923	96,177	N/A						98,426
35 to 39	Count	289	5,824	5,998	3,312	1,935	91					17,449
	Average Compensation	N/A	N/A	99,686	97,168	92,657	N/A					96,332
40 to 44	Count	256	5,368	7,931	3,397	1,735	959	56				19,702
	Average Compensation	N/A	76,155	96,584	91,185	95,583	96,376	94,856				93,689
45 to 49	Count	256	6,115	9,260	4,397	1,812	996	674	40			23,550
	Average Compensation	N/A	38,115	92,567	92,790	96,022	96,981	98,762	101,421			95,441
50 to 54	Count	213	5,991	6,333	3,747	1,940	930	747	381	22		20,304
	Average Compensation	N/A	N/A	95,015	96,638	96,857	98,197	99,192	100,095	102,259		98,067
55 to 59	Count	114	3,107	4,452	2,720	1,735	983	564	342	327	24	14,368
	Average Compensation	N/A	N/A	91,476	95,288	98,645	94,913	97,695	101,062	97,678	113,662	97,116
60 to 64	Count	35	822	1,384	1,281	913	464	303	150	178	60	5,590
	Average Compensation	N/A	N/A	86,160	92,811	93,044	94,740	96,343	104,788	97,958	95,195	95,673
65 to 69	Count	11	128	307	362	276	104	71	48	33	24	1,364
	Average Compensation	N/A	N/A	82,044	76,908	93,709	97,476	105,037	87,020	113,186	109,195	92,626
70 & up	Count	1	7	31	90	78	13	7	9	7	4	247
	Average Compensation	N/A	N/A	N/A	98,991	66,514	N/A	N/A	N/A	N/A	N/A	86,345
Total	Count	3,137	54,924	50,391	24,237	10,786	4,540	2,422	970	567	112	152,086
	Average Compensation	N/A	57,135	93,349	93,586	95,940	96,469	98,273	99,562	99,916	100,289	96,140
Average Age:		41.3		Average service:		8.0						

*Average compensation is shown for 2013 Grandfathered Freight participants only (1,728 as of January 1, 2016).

SCHEDULE SB ATTACHMENTS

Schedule SB, Line 32
Schedule of Amortization Bases
as of January 1, 2016

Type of Base		Date Established	Initial Amount	Remaining Amortization Period (Years)	Outstanding Balance	Amortization Payment
1	Shortfall	01/01/2016	155,170,083	7	155,170,083	25,637,735
2	Shortfall	01/01/2015	224,582,587	6	199,586,182	37,348,762
Total					354,756,265	62,986,497

Plan Name: UPS Pension Plan
EIN / PN: 95-1732075 / 022
Valuation Date: January 1, 2016

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN
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Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

Economic Assumptions

Interest rate basis:

Applicable month	September 2015
Yield curve basis	3-segment rates

Interest rates:	Reflecting Corridors	Not Reflecting Corridors
First segment rate	4.43%	1.34%
Second segment rate	5.91%	4.03%
Third segment rate	6.65%	5.06%
Effective interest rate	6.35%	4.70%

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 2031 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2023 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%

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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.

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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>< 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%

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Transfers	
<u>Age</u>	<u>≤ 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 0.7 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	100% of single participants elect a life annuity 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 For Freight Only: 35% of married participants elect a life annuity and 65% of married participants elect a 50% joint and survivor annuity Actuarial Equivalence as defined by the UPS Pension Plan is used to convert to optional forms of payment (when applicable).
Percent married	80%
Spouse age	Wife two years younger than husband
Plan compensation	Estimated plan compensation for upcoming year: <ul style="list-style-type: none"> ▶ For 2013 Grandfathered Freight participants, prior year actual plan compensation, increased by 2.00% ▶ For all other participants, not applicable
Administrative expenses	\$47,000,000
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).

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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	For 2013 Grandfathered Freight participants, annual compensation increase assumptions are linked to increases negotiated in the current collective bargaining agreements. This is an annual increase of 2.0%.

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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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 Methods and Assumptions Since Prior Year

The segment rates used to calculate the funding target and target normal cost were updated.

The required mortality table used to calculate the funding target and normal cost was updated to include an additional year of projected mortality improvements.

Assumed administrative expenses were changed from \$48,000,000 in 2015 to \$47,000,000 in 2016.

Data Sources

Willis Towers Watson used asset data supplied by UPS. UPS furnished participant data as of January 1, 2016 and the dates and amounts of the contributions paid in 2016. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the company, the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. Assumptions and estimates were made by Willis Towers Watson actuaries when data was 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

Schedule SB – Statement by Enrolled Actuary

Plan Sponsor	United Parcel Service of America, INC.
EIN/PN	95-1732075/022
Plan Name	UPS Pension Plan
Valuation Date	January 1, 2016
Enrolled Actuary	Timothy Hoppin
Enrollment Number	17-07404

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.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN
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Schedule SB, Part V — Summary of Plan Provisions

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. Cartage Services 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 Cartage Services). 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. 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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Schedule SB, Part V — Summary of Plan Provisions

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	3,500
Detroit Local 698 (part-time)	35	1,750
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.

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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 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	\$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

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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.

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. 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

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN
EIN: 95-1732075/PN: 022
Schedule SB, Part V — Summary of Plan Provisions

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">a) the unreduced service benefit offered by the Pension Plan,b) ratio of the benefit service accrued in the Pension Plan to the total service required to receive that service benefit
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

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>Lump sum if present value is less than \$5,000.</p> <p>Optional forms:</p> <ul style="list-style-type: none">▶ 10-year certain and continuous annuity▶ 75% joint and survivor annuity▶ 100% joint and survivor annuity
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ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
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Schedule SB, Part V — Summary of Plan Provisions

Maximum on benefits

- ▶ Life annuity if married

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

None.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS PENSION PLAN
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Schedule SB, Part V — Summary of Plan Provisions

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: (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 (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 compensation	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. 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.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
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Pension benefit	<p>(A) + (B) where:</p> <p>(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</p> <p>(B) equals \$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 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.</p>
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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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>Lump sum if present value is less than \$5,000.</p> <p>Optional forms:</p> <ul style="list-style-type: none">▶ 50% joint and survivor annuity (non-spouse beneficiary)▶ 75% joint and survivor annuity▶ 100% joint and survivor annuity▶ Social Security level Income at age 62 or age 65 (Only available to Grandfathered Overnight Participants) <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.

Changes in Benefits Valued Since Prior Year

None.

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UPS PENSION PLAN
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Schedule SB, Part V — Summary of Plan Provisions

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">▪ Any leased employee▪ Any "reclassified" employee (independent contractors and outsourced employees) <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 as of December 31, 2013 is subject to an overall maximum of 30 years. However, if a participant reaches 30 years in total including service with Motor Cargo and service as a UPS employee prior to December 31, 2013, additional years of service as a UPS employee prior to 2014 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 Compensation	<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>

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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>Hours of service in a plan year</th><th>Monthly Benefit</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>For 2013 Grandfathered Freight Participants:</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>	Hours of service in a plan year	Monthly Benefit	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
Hours of service in a plan year	Monthly Benefit														
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>														

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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
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 formulas (4) and (5) is reduced as follows:</p> <ul style="list-style-type: none"> ▪ 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. ▪ Attained age 55, but not 60 with at least 30 years of benefit service, pension benefit is unreduced. ▪ 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. ▪ Attained age 60, with at least 25 years of benefit service, pension benefit is unreduced.
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 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 formulas (4) and (5) is reduced by as defined above for early retirement.
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>

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Schedule SB, Part V — Summary of Plan Provisions

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>Lump sum if present value is less than \$5,000.</p> <p>Optional forms:</p> <ul style="list-style-type: none">▶ 5-year certain and continuous annuity▶ 10-year certain and continuous annuity▶ 50% joint and survivor annuity (non-spouse beneficiary)▶ 75% joint and survivor annuity▶ 100% joint and survivor annuity
Maximum on benefits and pay	<p>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.</p>

Changes in Benefits Valued Since Prior Year

None.

UPS Pension Plan

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

Financial Statements as of and for the
Years Ended December 31, 2016 and 2015,
Supplemental Schedule as of December 31, 2016,
and Independent Auditors' Report

UPS PENSION PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.	

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 benefits as of December 31, 2016 and 2015, and the related statements of changes in net assets available for 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 controls 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.

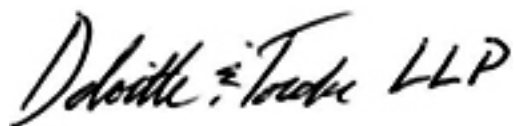
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the UPS Pension Plan's net assets available for benefits as of December 31, 2016, and the changes therein for the year then ended and its financial status as of December 31, 2015, and the changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedule

Our audits were 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, 2016, 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 audits 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 black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 16, 2017

UPS PENSION PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2016 AND 2015 (In millions)

	2016	2015
ASSETS:		
Investments—at fair value:		
Plan interest in the UPS Master Trust	\$6,348	\$5,719
Investments held outside the UPS Master Trust	<u>45</u>	<u>-</u>
Total investments	6,393	5,719
Contributions receivable	234	449
Pension Benefit Guaranty Corporation Premium receivable	<u>1</u>	<u>-</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$6,628</u>	<u>\$6,168</u>

See notes to financial statements.

UPS PENSION PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In millions)

	2016	2015
NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year	<u>\$6,168</u>	<u>\$5,466</u>
ADDITIONS:		
Employer Contributions	534	846
Net investment income/(loss)—interest in UPS Master Trust investment income	<u>351</u>	<u>(1)</u>
Total additions	<u>885</u>	<u>845</u>
DEDUCTIONS:		
Benefits paid to Plan beneficiaries	382	95
Administrative expenses:		
Fees and commissions	1	1
Insurance premiums to Pension Benefit Guaranty Corporation	<u>42</u>	<u>47</u>
Total deductions	<u>425</u>	<u>143</u>
NET INCREASE	<u>460</u>	<u>702</u>
NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year	<u>\$6,628</u>	<u>\$6,168</u>

See notes to financial statements.

UPS PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 \$534 million and \$846 million to the Plan for the years ended December 31, 2016 and 2015, respectively. These amounts included \$234 million remitted on March 1, 2017 and \$449 million remitted on September 1, 2016 for 2016 and 2015, respectively, 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, 2016 and 2015.

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.

Lump Sum Distribution – During the fourth quarter of 2016, certain plan participants and surviving spouses were offered the option to receive a one-time payment of their vested benefit. Approximately 11,500 participants accepted this option, accelerating \$271 million in benefit payments during 2016 while reducing the number of participants who are due future payments from the plan.

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, 2016 and 2015, 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 United Parcel Service, Inc. (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 is reported based on certain assumptions 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, but which 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. These investments are not classified in Levels 1, 2, or 3 of the fair value hierarchy, but are included in the totals in the tables shown in Note 7. See a further description in Note 7. Purchases and sales are recorded on a trade-date basis. Interest is recorded on an 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, 2016, subsequent events were evaluated through October 16, 2017, 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 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 elected to early adopt ASU No. 2015-12 as of December 31, 2015, as permitted, and applied the provisions of ASU No. 2015-12 retrospectively, as required. There are no effects on the statements of net assets available for plan benefits or the changes therein.

There are no pending or adopted standards for 2016.

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, 2016 and 2015, are as follows:

	2016	2015
Mortality	The RP-2014 healthy blue collar mortality table, with MP-2016 mortality improvements after 2007 assuming the long-term rate of mortality improvement phases down to 0.5% by 2022.	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	62.0	61.9

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, 2016 and 2015, are as follows (in millions):

	2016	2015
Vested benefits:		
Other participants	\$2,956	\$2,903
Participants and/or beneficiaries currently receiving benefits	<u>830</u>	<u>707</u>
Total vested benefits	3,786	3,610
Nonvested benefits	<u>210</u>	<u>203</u>
Total actuarial present value of accumulated plan benefits	<u>\$3,996</u>	<u>\$3,813</u>

The changes in the actuarial present values of the Plan's accumulated plan benefits for the years ended December 31, 2016 and 2015, are as follows (in millions):

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)
Plan amendments	67
Decrease in the discount period	<u>316</u>
Actuarial present value of accumulated plan benefits—December 31, 2015	3,813
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	115
Benefit payments**	(382)
Actuarial assumption changes***	(46)
Actuarial loss	157
Decrease in the discount period	<u>339</u>
Actuarial present value of accumulated plan benefits—December 31, 2016	<u>\$3,996</u>

* 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.

** Reflects 11,469 lump sum elections made as part of the December 2016 lump sum opportunity.

*** Reflects update of mortality improvement scale table from modified MP-2014 to modified MP-2016.

5. INTEREST IN MASTER TRUST

As of December 31, 2016 and 2015, 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, 2016 and 2015, is summarized as follows (in millions):

	2016	2015
Investments:		
U.S. government securities	\$ 6,364	\$ 4,366
103-12 investment entities—hedge funds	423	365
Common and collective trusts	3,871	2,665
Common and preferred stock	8,031	9,082
Corporate debt instruments	5,157	4,105
Interest-bearing cash	153	36
Derivative instruments and other investments	170	356
Partnerships, joint ventures, and real estate	6,778	8,084
Registered investment companies	<u>1,229</u>	<u>923</u>
Total investments	<u>32,176</u>	<u>29,982</u>
Unsettled securities transactions receivable (payable):		
Interest and dividends	78	72
Due from brokers	86	153
Accrued expenses	(1)	(1)
Other payables*	<u>(189)</u>	<u>(294)</u>
Total unsettled securities transactions payable	<u>(26)</u>	<u>(70)</u>
Contributions receivable	<u>791</u>	<u>1,161</u>
Net assets of the Master Trust	<u>\$32,941</u>	<u>\$31,073</u>
Net assets of the Master Trust—excluding contribution receivable	<u>\$32,150</u>	<u>\$29,912</u>
Plan's interest in Master Trust as a percentage of the total, rounded	<u>20 %</u>	<u>20 %</u>

* Other payables includes \$64 million and \$99 million as of December 31, 2016 and 2015, respectively, of payables related to derivative instruments valued using observable market inputs.

The net investment earnings of the Master Trust for the years ended December 31, 2016 and 2015, are summarized below (in millions):

	2016	2015
Dividend and interest income	\$ 480	\$ 432
Net appreciation (depreciation) in fair value of investments	1,461	(324)
Master Trust administrative expenses	<u>(106)</u>	<u>(95)</u>
Investment income of Master Trust	<u>\$1,835</u>	<u>\$ 13</u>
Plan's interest in investment income of Master Trust	<u>\$ 351</u>	<u>\$ (1)</u>

6. INVESTMENTS

As of December 31, 2016 and 2015, 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 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 ask 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, certain equity instruments 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 fair value of the underlying investments 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 Note 7. These investments include fixed income, hedge funds, private equity, credit and real estate. 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. Investments in fixed income, private equity, credit and real estate are valued using fair values per the most recent partnership audited financial statements, adjusted, as appropriate, for any activity between the date of the financial reports and December 31. These assets are invested in limited partnership interests in various private equity, private debt and real estate funds. 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 \$3,871 million and \$2,665 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, 2016 and 2015, 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, 2016 and 2015.

The Master Trust held approximately \$4,171 million and \$3,085 million of its investments in limited partnership interests in various private equity, credit and real estate funds as of December 31, 2016 and 2015, 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, 2016 and 2015, unfunded commitments to such limited partnerships totaling approximately \$1,908 million and \$1,855 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between three and six years.

The Master Trust held certain investments in limited partnership interests in various fixed income funds as of December 31, 2016 and 2015. No unfunded commitments existed with respect to fixed income funds as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, approximately \$2,708 million and \$4,186 million of the Master Trust investments are held in 20 and 23 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, 2016 and 2015, unfunded commitments to such hedge funds totaling approximately \$5 million and \$234 million, respectively, are expected to be contributed over the remaining investment period, typically ranging between two and four years.

As of December 31, 2016 and 2015, 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, 2016.

Master Trust Assets				
Fair Value Measurements at December 31, 2016**				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common and preferred stocks:				
Emerging markets	\$ 1,191	\$ -	\$ -	\$ 1,191
Fixed income	-	16	-	16
Global equity	2,540	-	-	2,540
International equity	1,817	-	-	1,817
Real estate	126	140	-	266
U.S. large cap	1,779	-	-	1,779
U.S. small cap	<u>422</u>	<u>-</u>	<u>-</u>	<u>422</u>
Total common and preferred stocks	<u>7,875</u>	<u>156</u>	<u>-</u>	<u>8,031</u>
Corporate debt instruments	<u>-</u>	<u>5,157</u>	<u>-</u>	<u>5,157</u>
U.S. government securities	<u>6,001</u>	<u>363</u>	<u>-</u>	<u>6,364</u>
Interest-bearing cash	<u>12</u>	<u>141</u>	<u>-</u>	<u>153</u>
Registered investment companies:				
Emerging markets	102	-	-	102
Fixed income	-	-	-	-
Global equity	55	-	-	55
International equity	292	-	-	292
U.S. large cap	780	-	-	780
U.S. small cap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total registered investment companies	<u>1,229</u>	<u>-</u>	<u>-</u>	<u>1,229</u>
Collective trust funds:				
Emerging markets	-	165	-	165
Global equity	-	50	-	50
International equity	-	858	-	858
U.S. large cap	-	2,646	-	2,646
U.S. small cap	<u>-</u>	<u>152</u>	<u>-</u>	<u>152</u>
Total collective trust funds	<u>-</u>	<u>3,871</u>	<u>-</u>	<u>3,871</u>
Derivative instruments and other investments	<u>-</u>	<u>170</u>	<u>-</u>	<u>170</u>
Partnerships, joint ventures, and real estate:				
Emerging markets	-	-	-	-
Fixed income*	-	-	-	321
Global equity ^y	1	-	-	1
Hedge funds*	-	481	-	2,285
Private equity*	-	-	-	1,850
Credit*	-	303	-	813
Real estate*	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508</u>
Total partnerships, joint ventures, and real estate	<u>1</u>	<u>784</u>	<u>-</u>	<u>6,778</u>
103-12 investment entities—hedge funds*	<u>-</u>	<u>-</u>	<u>-</u>	<u>423</u>
Total investments	<u>\$ 15,118</u>	<u>\$ 10,642</u>	<u>\$ -</u>	<u>\$ 32,176</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, 2015:

Master Trust Assets				
Fair Value Measurements at December 31, 2015**				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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*	-	-	-	1,148
Global equity ^y	1	-	-	1
Hedge funds*	-	-	-	3,821
Private equity*	-	-	-	1,475
Real estate*	<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*	<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>

* 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.

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, 2016 and 2015:

	Corporate Debt Instruments
Beginning balance—January 1, 2015	\$ 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	6
Actual return on assets:	
Assets held at end of year	-
Assets sold during the year	-
Purchases	-
Sales	(1)
Settlements	-
Transfers in and/or out of level 3	<u>(5)</u>
Ending balance—December 31, 2016	<u>\$ -</u>

The valuation methods as described in Note 6 may produce a fair value estimate 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, 2016 (in millions):

	(i)	(ii)	(iii) = (i) – (ii)	(iv)	(v) = (iii) – (iv)
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits	
Instrument Type	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Assets Presented in the Statement of Net Assets Available for Benefits	Financial Instruments	Cash Collateral Received
Credit default swaps	\$ 5	\$ -	\$ 5	\$ -	\$ (5)
Forward contracts	31	(16)	15	-	-
Futures contracts	-	-	-	-	-
Interest rate swaps	1	(1)	-	-	-
Securities lending	203	-	203	(208)	-
Repurchase agreements	-	-	-	-	-
Swaptions	<u>7</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial instruments	<u>\$247</u>	<u>\$(24)</u>	<u>\$223</u>	<u>\$(208)</u>	<u>\$ (5)</u>
					<u>\$ 10</u>

	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v) = (iii)–(iv)	
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits		
		Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Liabilities Presented in the Statement of Net Assets Available for Benefits			
Instrument Type	Gross Amounts of Recognized Liabilities			Financial Instruments	Cash Collateral Pledged	Net Amount
Credit default swaps	\$ 1	\$ -	\$ 1	\$ -	\$ (1)	\$ -
Forward contracts	21	(16)	5	-	(4)	1
Futures contracts	1	-	1	-	(4)	(3)
Interest rate swaps	6	(1)	5	-	-	5
Securities lending	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Swaptions	<u>8</u>	<u>(7)</u>	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Total financial instruments	\$37	\$ (24)	\$13	\$ -	\$(10)	\$ 3

At December 31, 2016, the Master Trust held \$5 million in collateral under derivative instruments and \$208 million in collateral under securities lending agreements. The Master Trust pledged collateral of \$10 million under derivative contracts at December 31, 2016.

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 Offset in the Statement of Net Assets <u>Available for Benefits</u>		
		Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Assets Presented in the Statement of Net Assets Available for Benefits		Cash Collateral Received	
Instrument Type	Gross Amounts of Recognized Assets			Financial Instruments		Net 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	\$757	\$ (2)	\$755	\$(316)	\$ (7)	\$432

	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v) = (iii)–(iv)	
				Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits		
		Gross Amounts Offset in the Statement of Net Assets Available for Benefits	Net Amounts of Liabilities Presented in the Statement of Net Assets Available for Benefits			
Instrument Type	Gross Amounts of Recognized Liabilities			Financial Instruments	Cash Collateral Pledged	Net 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	1	(1)	-	-	-	-
Total financial instruments	\$ 54	\$ (2)	\$52	\$ -	\$ (14)	\$38

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.

8. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated April 14, 2016, 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, 2016, 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 2013.

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 \$0.2 million and \$0.1 million for the years ended December 31, 2016 and 2015, respectively.

The Company provides accounting and administrative services to the Plan. The Company 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, 2016 and 2015, 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, 2016 and 2015.

11. SUBSEQUENT EVENTS

UPS remitted \$784 million in contributions to the Plan on March 1, 2017 in respect of 2016, of which \$234 million was planned prior to December 31, 2016 and is shown as contributions receivable in the statements of net assets available for benefits.

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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, 2016**

(a) Identity of Issuer, Borrower, Lessor, or Similar Party	(b) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(c) Cost	(d) Current Value
REGISTERED INVESTMENT COMPANIES: DREYFUS TREAS & AGY CSH CSH MG 996085247	VAR RT 12/31/2049 DD 04/09/97	<u>\$ 44,632,517</u>	<u>\$ 44,632,517</u>
TOTAL INVESTMENTS HELD OUTSIDE OF MASTER TRUST		<u>\$ 44,632,517</u>	<u>\$ 44,632,517</u>