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

Part I Annual Report Identification Information

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

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.)
- [X] 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:
- [X] Form 5558
- [ ] automatic extension
- [ ] the DFVC program
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
UPS RETIREMENT PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 09/01/1961

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)

UNITED PARCEL SERVICE OF AMERICA, INC.

C/O TAX DEPARTMENT

55 GLENLAKE PARKWAY NE
ATLANTA, GA 30328

2b Employer Identification Number (EIN) 95-1732075

2c Plan Sponsor's telephone number 404-828-6000

2d Business code (see instructions) 484200

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 [X] 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:	**4b** EIN	
a Sponsor's name	**4c** PN	

5 Total number of participants at the beginning of the plan year	**5**	185065
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)**	91242
a(2) Total number of active participants at the end of the plan year	**6a(2)**	85975
b Retired or separated participants receiving benefits	**6b**	32526
c Other retired or separated participants entitled to future benefits	**6c**	51254
d Subtotal. Add lines **6a(2)**, **6b**, and **6c**.	**6d**	169755
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	4510
f Total. Add lines **6d** and **6e**.	**6f**	174265
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**	5258
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:
1A 1D 1E

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)

(1)	[ ]	Insurance
(2)	[ ]	Code section 412(e)(3) insurance contracts
(3)	[X]	Trust
(4)	[ ]	General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	[ ]	Insurance
(2)	[ ]	Code section 412(e)(3) insurance contracts
(3)	[X]	Trust
(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

(1)	[X]	**R** (Retirement Plan Information)
(2)	[ ]	**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)	[X]	**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	[X]	**H** (Financial Information)
(2)	[ ]	**I** (Financial Information – Small Plan)
(3)	[ ]	**A** (Insurance Information)
(4)	[X]	**C** (Service Provider Information)
(5)	[X]	**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

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 RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

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: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [ ] 100 or fewer [ ] 101-500 [X] More than 500

Part I Basic Information

1 Enter the valuation date: Month 01 Day 01 Year 2016

2 Assets:

a Market value	**2a**	18043311969
b Actuarial value	**2b**	18043311969

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	34503	7468951642	7468951642
b For terminated vested participants	60258	2055964562	2055964562
c For active participants	91050	5732121435	6991574382
d Total	185811	15257037639	16516490586

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**	6.20 %
6 Target normal cost	**6**	471394965

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

10/11/2017
Date

TIMOTHY HOPPIN, F.S.A., E.A.
Type or print name of actuary

17-07404
Most recent enrollment number

TOWERS WATSON DELAWARE INC.
Firm name

404-224-5000
Telephone number (including area code)

FIVE CONCOURSE PARKWAY SUITE 1800
ATLANTA, GA 30328
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 [ ]

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)	2763128397	1865442496
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	425000000	0
9	Amount remaining (line 7 minus line 8)	2338128397	1865442496
10	Interest on line 9 using prior year's actual return of 0.15%	3507193	2798164
11	Prior year's excess contributions to be added to prefunding balance:		
a	Present value of excess contributions (line 38a from prior year)		279593462
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 6.39 %		0
b(2)	Interest on line 38b from prior year Schedule SB, using prior year's actual return		419390
c	Total available at beginning of current plan year to add to prefunding balance		280012852
d	Portion of (c) to be added to prefunding balance		271533069
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)	2341635590	2139773729

Part III Funding Percentages

14	Funding target attainment percentage	14	82.11%
15	Adjusted funding target attainment percentage	15	109.24%
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	108.68%
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	650000000				
03/01/2017	825000000				
			Totals ► 18(b)	1475000000	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	1384215327

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? [X] Yes [ ] No

b If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? [X] 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:

1st segment:	2nd segment:	3rd segment:	
4.43%	5.91%	6.65%	☐ N/A, full yield curve used

b Applicable month (enter code)	**21b**	4
22 Weighted average retirement age	**22**	62

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**	471394965
b Excess assets, if applicable, but not greater than line 31a	**31b**	0

32 Amortization installments:

	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
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**	471394965

	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	335000000	0	335000000

36 Additional cash requirement (line 34 minus line 35)	**36**	136394965
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	**37**	1384215327

38 Present value of excess contributions for current year (see instructions)

a Total (excess, if any, of line 37 over line 36)	**38a**	1247820362
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	**38b**	335000000
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

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	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.**	**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 RETIREMENT PLAN	**B** Three-digit plan number (PN) ▶ 001
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)

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions). . . . . ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

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

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

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)

UNITED HEALTHCARE INSURANCE

36-2739571

(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?
65	NONE	1999062	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

AETNA LIFE INSURANCE

06-6033492

(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?
65	NONE	1588075	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

AON CONSULTING

22-2232264

(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?
16	NONE	1489370	Yes [ ] No [X]	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)

KAISER FOUNDATION HEALTH PLAN

94-1340523

(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?
53	NONE	1368427	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

THE PRUDENTIAL INSURANCE

22-1211670

(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?
65 36 53	NONE	1137109	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	692487	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)

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	554970	Yes [ ] No [X]	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	447054	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

BEACON HEALTH OPTIONS

54-1414194

(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?
65	NONE	269601	Yes [ ] No [X]	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 DELAWARE

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?
16	NONE	253378	Yes [ ] No [X]	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	102293	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

UNITED HEALTHCARE SERVICES

41-1289245

(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?
65	NONE	96326	Yes [ ] No [X]	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)

DIRECT TECHNOLOGIES, INC

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	65007	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

(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 [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

VISION SERVICE PLAN

36-3560825

(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?
65	NONE	55134	Yes [ ] No [X]	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)

ALERE WELLBEING, INC

20-0231080

(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?
65 53	NONE	11696	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)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

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

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 RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

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	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
35-2371556-001	M	18556271934

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)

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

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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 RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

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

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)	310000000	325000000
(2) Participant contributions	1b(2)		
(3) Other	1b(3)	131289	11490542
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	194	59206
(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)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	0	573
(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)	17877158482	18556271934
(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)	2451400	67717904
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(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	18189741365	18960540159
	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 through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	18189741365	18960540159

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)	995000000	
	(B) Participants	2a(1)(B)	6450981	
	(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)		1001450981
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	78088	
	(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)		78088
	(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)		1094907720
(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		2096436789
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1125679224	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)	140173865	
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		1265853089
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)	59784906	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		59784906
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		1325637995
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		770798794
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) [X] 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 [X] No

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

(1) Name: DELOITTE & TOUCHE, LLC **(2)** EIN: 13-3891517

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

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

Part IV Compliance Questions

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

During the plan year:

		Yes	No	Amount
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.)	4a		X	
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.)	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		1000000
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 4030895. (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.

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

A Name of plan
UPS RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

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 Distributions

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** 13383

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

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

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**

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**

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

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

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 Retirement Plan

Employer ID No.: 95-1732075
Plan Number: 001

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 RETIREMENT 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.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Administrative Committee of
the UPS Retirement Plan:

We have audited the accompanying financial statements of the UPS Retirement 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.

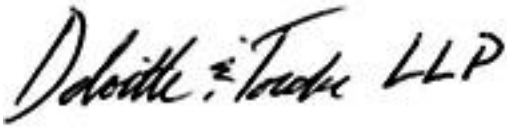
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the UPS Retirement 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.



October 16, 2017

UPS RETIREMENT PLAN

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

	2016	2015
ASSETS:		
Investments—at fair value:		
Plan interest in the UPS Master Trust	$18,551	$17,748
Investments held outside the UPS Master Trust	58	2
Assets held in 401(h) account	15	130
Total investments	18,624	17,880
Contributions receivable	325	310
Pension Benefit Guaranty Corporation Premium receivable	12	-
Total assets	18,961	18,190
LIABILITIES:		
Amounts related to obligation of 401(h) account	15	130
NET ASSETS AVAILABLE FOR PENSION BENEFITS	$18,946	$18,060

See notes to financial statements.

UPS RETIREMENT PLAN

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

	2016	2015
NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year	$18,060	$18,407
ADDITIONS:		
Employer contributions	975	310
Net investment income—interest in UPS Master Trust investment income	1,091	13
Total additions	2,066	323
DEDUCTIONS:		
Benefits paid to Plan beneficiaries	1,126	656
Administrative expenses:		
Fees and commissions	2	2
Insurance premiums to Pension Benefit Guaranty Corporation	52	12
Total deductions	1,180	670
NET INCREASE (DECREASE)	886	(347)
NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year	$18,946	$18,060

See notes to financial statements.

1. DESCRIPTION OF THE PLAN

The following description of the UPS Retirement 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 September 1, 1961, 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 substantially all employees of United Parcel Service, Inc. (UPS or the "Company"), who are not members of a collective bargaining unit, or, if they are, whose bargaining unit agreement specifically provides for their participation in the Plan.

Contributions—Contributions to the Plan are made by UPS. UPS' 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 $975 million and $310 million to the Plan for the years ended December 31, 2016 and 2015, respectively. These amounts included $325 million remitted on March 1, 2017 and $310 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.

Closed Plan—The Plan was closed to new nonunion participants effective July 1, 2016. The Company amended the UPS 401(k) Savings Plan so that employees who previously would have been eligible for participation in the Plan will, in addition to current benefits under the UPS 401(k) Savings Plan, begin receiving a UPS retirement contribution. For employees eligible to receive the retirement contribution, UPS will generally contribute 3% to 8% of eligible pay to the UPS 401(k) Savings Plan based on years of vesting service and business unit. Contributions will be made annually in cash to the accounts of participants who are employed on December 31 of each calendar year and become vested after the employee reaches three complete years of service from their original employment date.

Pilots—There are approximately 2,600 pilots covered by the Plan who are employed under a collective bargaining agreement with the Independent Pilots Association (IPA), which became amendable at the end of 2011. On August 31, 2016, the IPA members voted to ratify a new five-year labor contract. Terms of the agreement became effective September 1, 2016, and run through September 1, 2021. Plan benefits have been increased by the new agreement for pilot terminations occurring after June 1, 2016.

Participants in the Plan fall into three broad categories: Final average compensation formula, pilots, and Portable Account Formula (PAF) participants. Each of these categories is described below:

	Final Average Compensation Formula	**Pilots**	**Portable Account Formula**
Eligibility for Participation	• Hired before January 1, 2008 • At least 21 years old • Completed at least 750 paid hours of service during the first 12 months of hire or during any calendar year thereafter	• January 1 or July 1 following attainment of age 21 • Completion of one vesting year	• All eligible employees, except pilots, hired, rehired, or newly eligible on or after January 1, 2008, but before July 1, 2016.
Benefits and Vesting			
Normal Retirement	• Benefits commence at age 65 • Benefits are based upon years of service, age, and final average earnings • Single life as well as joint and survivor annuity options are available	• Benefits commence at age 65 • Benefits are based upon rank, years of service, age, and final average earnings • Single life as well as joint and survivor annuity options are available	• Benefits commence at age 65. • Participants receive annual compensation and interest credits while a participant in the Plan. • Annual compensation credits are a percentage of pensionable pay based on the sum of the participant's age plus vesting service.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Normal Retirement (Continued)			• The interest credit percentage is the annual rate of interest on the 30-year treasury securities for the month of August preceding the applicable Plan year, but not less than 2.5% per year. • Participants can take the PAF balance as a single lump sum or actuarially equivalent annuity.
Early Retirement for Active Participants	• Benefits are available at a reduced rate dependent upon the number of years of service and the actual age of the participant at retirement	• Benefits are available at a reduced rate dependent upon the number of years of service and the actual age of the participant at retirement	• Benefits are available to terminated employees as a lump sum or as an annuity. The annuity is determined by converting the PAF balance to the applicable single or joint annuity option.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Early Retirement for Terminated Deferred	• Benefits are determined as of termination date and are reduced by a certain percentage for each full or partial year that payments begin prior to Normal Retirement Age	• Benefits are determined as of termination date and are reduced by a certain percentage for each full or partial year that payments begin prior to Normal Retirement Age	• PAF balances are determined as of the end of each Plan year or at benefit commencement date, whichever is earlier. Compensation credit and interest credit is granted in the termination year, as applicable. Additionally, interest credit is granted in subsequent years if the benefit is not distributed to the participant.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Disability	• For vested participants not covered under another UPS-sponsored disability plan, disability benefits are as follows: A. For disabilities occurring before eligibility for normal retirement, the benefit is $9.60 per month times the number of years of benefit service to a maximum of 30 years and is payable until the disabled participant reaches normal retirement date, elects an early retirement benefit, or dies. B. For disabilities occurring after eligibility for normal retirement, the normal retirement benefit is paid instead of the disability benefit.	• The Plan does not provide a disability benefit for this group A. Service accrues after disability as if participant remained in active employment until normal retirement date (or early retirement date, if elected). Accrual ceases if participant obtains other gainful employment, recovers from disability, or retires. B. Final average earnings are based on compensation paid during active employment prior to becoming disabled.	• The Plan does not provide a disability benefit for this group

	Final Average Compensation Formula	Pilots	Portable Account Formula
Preretirement Death Benefit	• 50% of the benefit that would have been payable to the spouse or domestic partner, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit	• 50% of the benefit that would have been payable to the spouse, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit	• The surviving spouse or domestic partner will be entitled to receive the PAF balance as a single lump sum or actuarially equivalent life annuity based on the surviving spouse's age at commencement
Vesting	• Completion of five years of service	• Completion of one vesting year	• Completion of three years of service

All benefits and compensation for any calendar year may not exceed the maximum limitation for that year as defined in the IRC. The Plan provides for increasing the dollar limits automatically as such changes become effective.

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 9,300 participants accepted this option, accelerating $414 million in benefit payments during 2016 while reducing the number of participants who are due future payments from the plan.

401(h) Account—The Plan was amended on January 1, 1976, to include a medical benefit component in addition to the normal retirement benefits to fund a portion of the postretirement obligation for retirees and their beneficiaries in accordance with Section 401(h) of the IRC. A separate account has been established and maintained in the Plan for the net assets related to the medical benefit component ("401(h) account"). The related obligations for health and welfare benefits are not included in this Plan's obligations, but are reflected as obligations in the financial statements of the UPS Retired Employees Health Care Plan. Plan participants reimburse the 401(h) account for certain health and welfare benefits received, which are not covered under the Plan. Participant reimbursements to the 401(h) account were $6.5 million and $6.0 million in 2016 and 2015, respectively. Certain of the Plan's net assets are restricted to fund a portion of postretirement health benefits for retirees and their beneficiaries in accordance with IRC Section 401(h).

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 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, U.S. 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:

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

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.

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 no-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 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	62.4	62.4

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

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

	2016	2015
Vested benefits:		
Other participants	$ 5,781	$ 5,680
Participants and/or beneficiaries currently receiving benefits	5,975	5,571
Total vested benefits	11,756	11,251
Nonvested benefits	1,201	1,092
Total actuarial present value of accumulated plan benefits	$12,957	$12,343

The changes in the actuarial present value 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	$11,582
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	268
Benefits paid	(656)
Decrease in the discount period	1,009
Actuarial loss	152
Actuarial Assumption changes*	(12)
Actuarial present value of accumulated plan benefits— December 31, 2015	12,343
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	286
Benefits paid**	(1,126)
Decrease in the discount period	1,074
Actuarial loss	321
Actuarial Assumption changes***	(120)
Plan amendments****	179
Actuarial present value of accumulated plan benefits— December 31, 2016	$12,957

* The impact of the assumption changes is due to a decrease in the interest crediting rate from 4.50% to 3.30%.

** Reflects 9,339 lump sum elections made as part of the December 2016 lump sum opportunity.

*** Reflects a decrease in the interest crediting rate from 3.30% to 2.87% and update of mortality improvement scale table from modified MP-2014 to modified MP-2016.

**** Reflects negotiated benefit increases for the IPA contract ratified in 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 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	1,229	923
Total investments	32,176	29,982
Unsettled securities transactions receivable (payable):		
Interest and dividends	78	72
Due from brokers	86	153
Accrued expenses	(1)	(1)
Other payables*	(189)	(294)
Total unsettled securities transactions payable	(26)	(70)
Contributions receivable	791	1,161
Net assets of the Master Trust	$32,941	$31,073
Net assets of the Master Trust-excluding contribution receivable	$32,150	$29,912
Plan's interest in Master Trust as a percentage of the total, rounded	58 %	58 %

* 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	(106)	(95)
Investment income of Master Trust	$1,835	$ 13
Plan's interest in investment income of Master Trust	$1,091	$ 13

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 the in 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	422	-	-	422
Total common and preferred stocks	7,875	156	-	8,031
Corporate debt instruments	-	5,157	-	5,157
U.S. government securities	6,001	363	-	6,364
Interest-bearing cash	12	141	-	153
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	-	-	-	-
Total registered investment companies	1,229	-	-	1,229
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	-	152	-	152
Total collective trust funds	-	3,871	-	3,871
Derivative instruments and other investments	-	170	-	170
Partnerships, joint ventures, and real estate:				
Emerging markets	-	-	-	-
Fixed income*	-	-	-	321
Global equity	1	-	-	1
Hedge funds*	-	481	-	2,285
Private equity*	-	-	-	1,850
Credit*	-	303	-	813
Real estate*	-	-	-	1,508
Total partnerships, joint ventures, and real estate	1	784	-	6,778
103-12 investment entities—hedge funds*	-	-	-	423
Total investments	$15,118	$10,642	$ -	$32,176

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	319	-	-	319
Total common and preferred stocks	8,930	152	-	9,082
Corporate debt instruments	-	4,099	6	4,105
U.S. government securities	4,102	264	-	4,366
Interest-bearing cash	23	13	-	36
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	-	-	-	-
Total registered investment companies	863	60	-	923
Collective trust funds:				
Emerging markets	-	131	-	131
International equity	-	805	-	805
U.S. large cap	-	1,685	-	1,685
U.S. small cap	-	44	-	44
Total collective trust funds	-	2,665	-	2,665
Derivative instruments and other investments	1	355	-	356
Partnerships, joint ventures, and real estate:				
Emerging markets	-	29	-	29
Fixed income*	-	-	-	1,148
Global equity	1	-	-	1
Hedge funds*	-	-	-	3,821
Private equity*	-	-	-	1,475
Real estate*	-	-	-	1,610
Total partnerships, joint ventures, and real estate	1	29	-	8,084
103-12 investment entities—hedge funds*	-	-	-	365
Total investments	$13,920	$7,637	$ 6	$29,982

* 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	-
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	(5)
Ending balance—December 31, 2016	$ -

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	Net Amount
Credit default swaps	$ 5	$ -	$ 5	$ -	$ (5)	$ -
Forward contracts	31	(16)	15	-	-	15
Futures contracts	-	-	-	-	-	-
Interest rate swaps	1	(1)	-	-	-	-
Securities lending	203	-	203	(208)	-	(5)
Repurchase agreements	-	-	-	-	-	-
Swaptions	7	(7)	-	-	-	-
Total financial instruments	$247	$(24)	$223	$(208)	$ (5)	$ 10

	(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 Liabilities	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	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	8	(7)	1	-	(1)	-
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)
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**	**Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits**		**Net Amount**
				Financial Instruments	**Cash Collateral Received**	
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	1	(1)	-	-	-	-
Total financial instruments	$757	$ (2)	$755	$(316)	$ (7)	$432

	(i)	(ii)	(iii) = (i)—(ii)	(iv)		(v) = (iii)—(iv)
Instrument Type	**Gross Amounts of Recognized Liabilities**	**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**	**Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits**		**Net Amount**
				Financial Instruments	**Cash Collateral Pledged**	
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 October 15, 2015, that the Plan and related trust were designed in accordance with the applicable regulations of the IRC. The Plan has been amended since receiving the determination letter; however, the Company and the 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

Certain 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 the investment management and associated trustee/custodian services were $0.7 million and $0.6 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 $0.5 million and $0.5 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 following is a reconciliation of net assets available for pension benefits per the financial statements to the Form 5500 for the years ended December 31, 2016 and 2015.

	2016	2015
Net assets available for pension benefits per the financial statements	$18,946	$18,060
Net assets held in 401(h) account included as assets in the Form 5500	15	130
Net assets available for pension benefits per the Form 5500	$18,961	$18,190

The net assets of the 401(h) account included in the Form 5500 are not available to pay pension benefits, but can be used only to pay retiree health benefits.

The following is a reconciliation of the changes in net assets available for pension benefits per the financial statements to the Form 5500 (in millions):

	2016		
	Amounts per Financial Statements	**401(h) Account**	**Amounts per Form 5500**
Employer contributions	$ 975	$ 20	$ 995
Employee contributions	-	6	6
Net appreciation in fair value of investments	1,091	4	1,095
Benefits paid to Plan beneficiaries	1,126	138	1,264
Benefits paid to insurance carrier	-	2	2
Administrative expenses	54	6	60

	2015		
	Amounts per Financial Statements	**401(h) Account**	**Amounts per Form 5500**
Employee contributions	$ -	$ 6	$ 6
Net appreciation in fair value of investments	13	2	15
Benefits paid to Plan beneficiaries	656	130	786
Benefits paid to insurance carrier	-	1	1
Administrative expenses	14	6	20

11. SUBSEQUENT EVENTS

On June 23, 2017, the Plan was amended to cease accruals of additional benefits for future service and compensation for non-union participants effective January 1, 2023. Concurrently, the UPS 401(k) Savings Plan was amended effective January 1, 2023, to make previously ineligible non-union U.S. employees eligible for UPS Retirement Contributions, which range from 5% to 8% of eligible compensation based on the employee's length of employment. Additionally, the amendment provides for transition contributions to certain participants starting January 1, 2023.

Non-union retirees already collecting benefits and former employees with a vested benefit will not be affected by the foregoing amendment. Affected employees will keep the benefits earned in the Plan through January 1, 2023.

UPS remitted $825 million in contributions to the Plan on March 1, 2017 in respect of 2016, of which $325 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 RETIREMENT PLAN

Employer ID No.: 95-1732075
Plan Number: 001

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	$58,417,692	$58,417,692
TOTAL INVESTMENTS HELD OUTSIDE OF MASTER TRUST		$58,417,692	$58,417,692

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN
EIN 95-1732075 PN 001
Schedule SB, Line 22 - Description of Weighted Average Retirement Age

Sample Calculation of Retirement Age for Full-Time Managers with service less than 25 years

Retirement Age (1)	*Assumed Rate (2)*	*Participants At Beginning (3)*	*Participants Retiring: (2)x(3) (4)*	*(1)*(4) (5)*
55	0.0500	1,000.00	50.00	2,750.00
56	0.0500	950.00	47.50	2,660.00
57	0.0500	902.50	45.13	2,572.41
58	0.0500	857.37	42.87	2,486.46
59	0.0500	814.50	40.73	2,403.07
60	0.0500	773.77	38.69	2,321.40
61	0.0500	735.08	36.75	2,241.75
62	0.1000	698.33	69.83	4,329.46
63	0.1000	628.50	62.85	3,959.55
64	0.1000	565.65	56.57	3,620.48
65	0.2000	509.08	101.82	6,618.30
66	0.3000	407.26	122.18	8,063.88
67	0.5000	285.08	142.54	9,550.18
68	0.5000	142.54	71.27	4,846.36
69	1.0000	71.27	71.27	4,917.63
			1,000.00	63,340.93

63,340.93 / 1,000 = 63

Sample Calculation of Retirement Age for Full-Time Managers with 25 or more years of service

Retirement Age (1)	*Assumed Rate (2)*	*Participants At Beginning (3)*	*Participants Retiring: (2)x(3) (4)*	*(1)*(4) (5)*
55	0.2000	1,000.00	200.00	11,000.00
56	0.3000	800.00	240.00	13,440.00
57	0.1500	560.00	84.00	4,788.00
58	0.1500	476.00	71.40	4,141.20
59	0.1000	404.60	40.46	2,387.14
60	0.1000	364.14	36.41	2,184.60
61	0.1000	327.73	32.77	1,998.97
62	0.1500	294.96	44.24	2,742.88
63	0.1500	250.72	37.61	2,369.43
64	0.1500	213.11	31.97	2,046.08
65	0.2500	181.14	45.29	2,943.85
66	0.2500	135.85	33.96	2,241.36
67	1.0000	101.89	101.89	6,826.63
			1,000.00	59,110.14

59,110.14 / 1,000 = 59

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN
EIN 95-1732075 PN 001
Schedule SB, Line 22 - Description of Weighted Average Retirement Age

Sample Calculation for Pilots

Retirement Age (1)	*Assumed Rate (2)*	*Participants At Beginning (3)*	*Participants Retiring: (2)x(3) (4)*	*(1)*(4) (5)*
55	0.0300	1,000.00	30.00	1,650.00
56	0.0300	970.00	29.10	1,629.60
57	0.0300	940.90	28.23	1,609.11
58	0.0300	912.67	27.38	1,588.04
59	0.0300	885.29	26.56	1,567.04
60	0.1200	858.73	103.05	6,183.00
61	0.0300	755.68	22.67	1,382.87
62	0.0750	733.01	54.98	3,408.76
63	0.0750	678.03	50.85	3,203.55
64	0.0750	627.18	47.04	3,010.56
65	1.0000	580.14	580.14	37,709.10
			1,000.00	62,941.63

62,941.63 / 1,000 = 63

Sample Calculation of Retirement Age for All Other Employees

Retirement Age (1)	*Assumed Rate (2)*	*Participants At Beginning (3)*	*Participants Retiring: (2)x(3) (4)*	*(1)*(4) (5)*
55	0.0500	1,000.00	50.00	2,750.00
56	0.0500	950.00	47.50	2,660.00
57	0.0500	902.50	45.13	2,572.41
58	0.0500	857.37	42.87	2,486.46
59	0.0500	814.50	40.73	2,403.07
60	0.0500	773.77	38.69	2,321.40
61	0.0500	735.08	36.75	2,241.75
62	0.1000	698.33	69.83	4,329.46
63	0.1000	628.50	62.85	3,959.55
64	0.1000	565.65	56.57	3,620.48
65	0.2000	509.08	101.82	6,618.30
66	0.3000	407.26	122.18	8,063.88
67	0.5000	285.08	142.54	9,550.18
68	0.5000	142.54	71.27	4,846.36
69	1.0000	71.27	71.27	4,917.63
			1,000.00	63,340.93

63,340.93 / 1,000 = 63

Total Population Weighted Average Retirement Age: 62

The weighting for the average retirement age is based on head count.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

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 $21,000,000 in 2015 to $60,000,000 in 2016

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Line 26 — Schedule of Active Participant Data

		Completed Years of Benefit Service										
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**	**Total**
Under 25	Count	2,145	6,531	259								8,935
	Average Earnings	28,545	28,197	38,074								28,567
25 to 29	Count	1,198	5,192	3,640	395							10,425
	Average Earnings	30,898	37,238	44,936	56,470							39,926
30 to 34	Count	730	2,853	3,086	3,331	381						10,381
	Average Earnings	32,973	44,242	53,273	64,833	76,284						53,917
35 to 39	Count	576	2,149	1,952	2,640	2,626	124					10,067
	Average Earnings	36,292	47,918	60,213	67,188	82,262	94,750					64,226
40 to 44	Count	454	1,755	1,639	1,884	2,595	1,774	86				10,187
	Average Earnings	39,135	51,083	69,246	72,468	83,424	94,967	102,840				73,745
45 to 49	Count	387	1,606	1,804	1,829	2,283	2,403	2,859	115			13,286
	Average Earnings	36,985	53,728	73,623	77,685	93,880	101,262	113,834	115,153			88,202
50 to 54	Count	320	1,219	1,296	1,624	2,007	1,886	3,526	2,287	94		14,259
	Average Earnings	41,120	53,491	69,347	74,483	92,985	114,378	119,074	130,026	126,414		99,631
55 to 59	Count	209	718	779	1,275	1,443	1,161	1,393	1,109	690	48	8,825
	Average Earnings	38,091	50,776	56,033	67,672	81,824	100,164	127,582	120,965	127,041	138,173	92,337
60 to 64	Count	100	334	374	755	693	443	528	136	181	110	3,654
	Average Earnings	30,960	47,189	50,804	62,893	82,233	98,299	136,521	93,790	100,700	116,840	82,593
65 to 70	Count	28	92	106	268	151	78	52	20	18	12	825
	Average Earnings	37,809	47,215	46,547	58,123	66,091	67,040	86,049				60,831
70 & up	Count	6	24	33	61	58	17	6	1			206
	Average Earnings		36,011	33,646	42,822	48,265						42,856
Total	Total Count	6,153	22,473	14,968	14,062	12,237	7,886	8,450	3,668	983	170	91,050
	Total Average Earnings	32,629	40,282	57,472	68,779	85,834	102,092	119,393	125,264	121,335	121,562	70,260

Average Age: **41.9** **Average Service:** **12.2**

All monetary amounts shown in US Dollars

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Line 26 — Schedule of Active Participant Data

		Completed Years of Benefit Service										
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**	**Total**
Under 25	Count	2,118	6,530	259								8,907
	Average PAF Balance	452	2,176	6,409								1,889
25 to 29	Count	1,176	5,170	3,108	48							9,502
	Average PAF Balance	505	3,153	8,375	11,219							4,575
30 to 34	Count	684	2,638	2,022	436	11						5,791
	Average PAF Balance	539	3,538	11,162	14,854							6,725
35 to 39	Count	497	1,775	1,043	265	104	4					3,688
	Average PAF Balance	664	3,925	13,416	13,899	20,290						7,384
40 to 44	Count	371	1,340	756	146	101	47	2				2,763
	Average PAF Balance	745	4,233	13,830	14,849	16,524	28,402					7,830
45 to 49	Count	306	1,122	618	105	69	63	29				2,312
	Average PAF Balance	728	4,312	15,048	14,176	17,223	26,685	29,874				8,471
50 to 54	Count	253	828	512	76	33	26	23	3			1,754
	Average PAF Balance	909	4,797	15,671	13,430	22,846	21,309	29,447				8,719
55 to 59	Count	136	482	329	47	14	11	9	3	2		1,033
	Average PAF Balance	818	5,226	16,555	16,929							9,754
60 to 64	Count	68	215	171	20	4	2					480
	Average PAF Balance	952	5,898	17,474								9,939
65 to 70	Count	16	52	57	5	2		1				133
	Average PAF Balance		7,481	15,488								10,489
70 & up	Count	1	9	8		1						19
	Average PAF Balance											
Total	Total Count	5,626	20,161	8,883	1,148	339	153	64	6	2		36,382
	Total Average PAF Balance	563	3,249	11,430	14,421	18,580	26,472	30,604				5,481

Average Age: 41.9 **Average Service: 12.2**

Average PAF balance amount based on balances greater than zero.

All monetary amounts shown in US Dollars

SCHEDULE SB ATTACHMENTS

Schedule SB – Statement by Enrolled Actuary

Plan Sponsor	United Parcel Service of America, INC.
EIN/PN	95-1732075/001
Plan Name	UPS Retirement 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 RETIREMENT PLAN

EIN: 95-1732075/PN: 001

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	6.20%	4.50%

Annual rates of increase	
► Compensation:	
• Non-Pilots	4.50%
• Pilots (annual increase)	3.00%
• Pilots (increase upon promotion from First Officer to Captain after 15 years of service)	40.00%
► Future Social Security wage bases	3.75%
► Statutory limits on compensation	N/A
Portable Account Formula Interest Crediting Rate	3.30%

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).

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

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Termination

Rates varying by age, service and employment type

Representative Termination Rates

Full-Time Management Years of Service						
Age	*0*	*1*	*2*	*3*	*4*	*5 or more*
25	20.00%	20.00%	16.00%	15.00%	13.00%	9.00%
40	20.00%	16.00%	15.00%	13.00%	10.00%	4.00%
55	20.00%	17.00%	11.00%	9.00%	8.00%	5.00%

Pilots	
Age	*Rate*
25	1.00%
40	0.80%
55	0.00%

All Others Years of Service						
Age	*0*	*1*	*2*	*3*	*4*	*5 or more*
25	30.00%	30.00%	26.00%	22.00%	19.00%	15.00%
40	30.00%	30.00%	22.00%	18.00%	14.00%	5.00%
55	30.00%	30.00%	18.00%	14.00%	11.00%	8.00%

Disability

Rates varying by age

Pilots

None

All Others Sample Rates		
Age	Male	Female
30	0.04%	0.06%
40	0.05%	0.07%
55	0.23%	0.34%
60	0.46%	0.69%

Disability mortality

Separate rates for non-annuitants (based on RP-2000 “Employees” table without collar or amount adjustments, 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).

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

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Retirement

Rates varying by age, service and employment type

Full-Time Management

Age	*< 25 yrs of svc*	*≥ 25 yrs of svc*
55	5.00%	20.00%
56	5.00%	30.00%
57-58	5.00%	15.00%
59-61	5.00%	10.00%
62-64	10.00%	15.00%
65	20.00%	25.00%
66	30.00%	25.00%
67-68	50.00%	100.00%
69+	100.00%	100.00%

Pilots

Age	*Rate*
55-59	3.00%
60	12.00%
61	3.00%
62-64	7.50%
65+	100.00%

All Others

Age	*Rate*
55-61	5.00%
62-64	10.00%
65	20.00%
66	30.00%
67-68	50.00%
69+	100.00%

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

Benefit commencement date for deferred vested and actives	Non-PAF Benefits The later of age 63 and current age. For participants who terminated prior to 1992 and for pilots, the later of age 60 or current age. PAF Benefits Assumed to commence immediately.
Form of payment	Non-PAF Benefits 100% of single participants elect a life annuity 30% of married participants elect a life annuity 70% of married participants elect a 50% joint and survivor annuity Actuarial Equivalence as defined by the UPS Retirement Plan is used to convert to optional forms of payment (when applicable) PAF Benefits 100% assumed to elect a lump sum Actuarial Equivalence as defined by the UPS Retirement Plan is used to convert to optional forms of payment (when applicable)
Percent married	75%
Spouse age	Wife 3 years younger than husband
Plan compensation	Estimated plan compensation for 2016 and future years: ▶ For participants not in the Management Incentive Plan, (MIP/IMIP) prior year actual pensionable earnings, increased by 4.50%. ▶ For participants in the MIP/IMIP, base pay as of January 1, 2016 plus long-term estimate of MIP/IMIP performance incentive awards (including ownership incentive awards), based on individual MIP/IMIP performance award targets (limited by the legacy MIP percentages defined by the plan). MIP awards in the near term reflect current expectations.
Administrative expenses	$60,000,000
Benefit offsets	Estimated benefits from other pension plans to which UPS contributes are offset for employees who have prior service in United Parcel Service, Inc. New York and United Parcel Service, Inc. Ohio. Where sufficient data does not exist, the benefit offset is assumed to be $0. In all such cases, total benefit service is used to calculate Retirement Plan benefits.
Service accruals	Part-time employees (other than those accruing Portable Account Formula benefits) are assumed to earn 0.7 years of benefit service per year based upon review of historical hours.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

Assumptions Rationale - Significant Economic Assumptions

PAF Interest Credit Rate	The plan credits interest to cash balance accounts using the 30-year Treasury rate for the month of August preceding the applicable plan year, with a minimum interest credit rate of 2.50%. Our long term estimate of the 30-year Treasury rate is 3.30%, based on guidance from UPS to reflect linkage to the year-end discount rate used for company financial reporting. The rate was determined as the maximum of the 2.50% minimum interest crediting rate and the UPS Retirement Plan discount rate less 150bps. The 150bps spread is intended to be a long-term assumption and was chosen based on a combination of the Willis Towers Watson capital market assumed normative spread between 30-year corporate Aa bonds and the 30-year Treasury rate and the additional spread between the Retirement Plan discount rate chosen and a comparable corporate bond index rate.
Rates of increase in:	
• Compensation	Assumed compensation increases are based on a combination of assumed future (i) cost-of-living increases (CPI), (ii) productivity increases and (iii) promotional increases. CPI increases assumed are as described below. Productivity increases are consistent with the assumed real increases in NAW described below (i.e., increases in assumed NAW less increases in assumed CPI). A flat rate of 4.5% is assumed. This assumption is comprised of three components: assumed inflation (CPI) of 2.75%, real wage growth of 1% to 1.25% and merit/promotion increases of 0.5% to 0.75%. Assumed compensation increases are reviewed annually by Willis Towers Watson and UPS. Actual compensation increases are reviewed annually and compared to the assumed increase of 4.5% (total compensation for non-MIP participants and base compensation for MIP participants). Generally, increases for the total population have been in line with the assumption. However, there are years where losses or gains result from increases different than expected. Some of these losses or gains are driven by economic factors such as changes in hours worked for the hourly non-union population. Despite these losses or gains, UPS's long-term expectation of merit/promotional and overall compensation increases remains at 0.5% to 0.75% and 4.5% annually, respectively. Non-union participants may be eligible for the Management Incentive Plan (MIP/IMIP) in addition to base compensation. For those eligible for these payments, future payouts are assumed to be made as a percentage of target payout based on past experience and an expectation from the company about future payments. For union participants with pay-related benefits (pilots), annual compensation increase assumptions are linked to increases

	negotiated in the current collective bargaining agreements. This is an annual increase of 3.0%. In addition, for pilots, a 40% increase in compensation is assumed upon reaching 15 years of service. This is the assumed duration for a pilot to be promoted from First Officer to Captain. Both the 15 year service period and the 40% increase have been determined based upon a review of experience for pilots from 2008 through 2011 and plan sponsor expectations. The resulting compensation increase assumptions are composite rates that reflect both current conditions and future expectations.
• National average wages (NAW) (e.g., Social Security wage bases)	The National Average Wage (NAW) increase assumption is used to project the Social Security Wage Base (SSWB) and Social Security Primary Insurance Amounts (SSPIA) to future dates. For certain UPS Retirement Plan participants, their benefits are integrated with Social Security via either the SSWB or the SSPIA. The assumed NAW of 3.75% is based on assumed CPI as shown above, plus assumed increases in real wages (the portion of GDP increases that becomes part of wages). Such assumed future increases in real wages are based on forecasts by economists, a combination of historical averages and a combination of recent rates and an expectation that future rates will be higher than current rates. The NAW assumed increases are consistent with those reflected in the non-union compensation increase assumption.
• CPI	The assumed CPI increase of 2.75% is reviewed annually and set based on Willis Towers Watson's annual capital market assumptions. The October 1, 2015 Willis Towers Watson capital market assumptions (neutral model) indicate that the normative, nominal price inflation is expected to be 2.5%. In addition, the 20-year average annual rate of projected price inflation is 2.73%. These price inflation indicators have been consistent in the Towers Watson neutral model back to January 1, 2012 (ranging from 2.69% to 2.80%). As these indicators change, UPS and Willis Towers Watson assess the need to potentially change the inflation assumption. The practice has been to leave this assumption consistent from year-to-year unless financial indicators are significantly different. In addition, the inflation (CPI) assumption is used implicitly in the determination of the NAW increase assumption, non-union compensation increase assumption, and PAF interest crediting rate assumption.

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).

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 2012, 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 2012. Annual consideration is given to whether any conditions have changed that would be expected to produce different results in the future.
Retirement	Retirement rates were based on an experience study conducted in 2012 and were further updated in 2014 based on additional experience during 2012 and 2013 and updated future participant behavior expectations. 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 2012.

ATTACHMENT TO 2016 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN

EIN: 95-1732075/PN: 001

Schedule SB, Part V — Statement of Actuarial Assumptions and Methods

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	Market value of assets
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 that should have been valued and 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 $21,000,000 in 2015 to $60,000,000 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.

ATTACHMENT TO 2015 FORM 5500, SCHEDULE SB
UPS RETIREMENT PLAN
EIN: 95-1732075/PN: 001
Schedule SB, Part V — Summary of Plan Provisions

1. Applicable to UPS Grandfathered and RPA Participants

Plan Provisions

Covered Employees	All employees of adopting employers provided they are not currently accruing benefits under any other non-governmental pension or profit sharing plan (except the UPS Savings Plan) to which UPS makes contributions; and further provided that they are not covered by a collective bargaining agreement unless the agreement provides for coverage under the UPS Retirement Plan.
Participation Date	All Predecessor Plan participants on December 31, 1975 who are employees on January 1, 1976 become plan participants on January 1, 1976. All other employees become eligible to participate immediately following attainment of age 21 and completion of a 12-month period of employment during which 750 hours of service are completed.

Definitions

Vesting service	One year for each calendar year in which an employee completes 750 hours of service.
Benefit service	One year for each calendar year in which an employee completes at least 1,500 hours of service. Partial credit is given if at least 125 hours of service are completed.
Alternative points	For Grandfathered Participants, 20 points per year of benefit service. For non-Grandfathered Participants, benefit service prior to January 1, 2001, 20 points per year of benefit service. For benefit service on or after January 1, 2001, see the attached schedule.
Alternative-Plus points	For Grandfathered Participants, 5 points per year of benefit service. For non-Grandfathered Participants, benefit service prior to January 1, 2001, 5 points per year of benefit service. For benefit service on or after January 1, 2001, see the attached schedule.
Integrated points	For Grandfathered Participants, 12 points per year of benefit service. For non-Grandfathered Participants, benefit service prior to January 1, 2001, 12 points per year of benefit service. For benefit service on or after January 1, 2001, see the attached schedule.
Integrated-Plus points	For Grandfathered Participants, 4 points per year of benefit service. For non-Grandfathered Participants, benefit service prior to January 1, 2001, 4 points per year of benefit service. For benefit service on or after January 1, 2001, see the attached schedule.

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 eligible MIP compensation, limited as required by Section 401(a)(17) of the Internal Revenue Code. Eligible MIP compensation is equal to MIP/IMIP ownership incentive awards plus MIP/IMIP performance incentive awards times the legacy MIP percentage. Legacy MIP percentage is defined for each job group as the current MIP/IMIP target over the legacy MIP/IMIP target (prior to inclusion of long-term incentives). MIP/IMIP awards considered include value of the restricted stock unit portion of the award even if not vested.
Final average earnings	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.
Grandfathered Participant	A participant who performed an hour of service as an employee on or before December 31, 2000 and was employed by an employer who adopted the plan on or before December 31, 2000.
Social Security benefit	The estimated Primary Insurance Amount payable at the age at which unreduced Primary Insurance Amounts are available under the Social Security Act in effect on the earlier of his normal retirement date or the date of termination, assuming in the case of early retirement or termination before normal retirement date that compensation continued unchanged until normal retirement date.
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.
Actuarial Equivalence	6% and 1983 Group Annuity Mortality (GAM) : male table for participants; female table for beneficiaries. Grandfathered participants receive a protected minimum conversion factor based on form of payment.
Pension benefit	For Grandfathered Participants, larger of (1), (2), (3) and (4). Otherwise, the larger of (3) and (4). (1) 58.33% of final average earnings (FAE) less 58.33% of the Social Security benefit (SSB), reduced proportionately for years of benefit service less than 35. (2) 2% of final average earnings up to: (a) $48,000 if year of birth is 1957 or later (b) $54,000 if year of birth is 1951 to 1956 (c) $60,000 if year of birth is 1950 or earlier Plus 0.5% of final average earnings in excess of the above breakpoints; multiplied by benefit service up to 35 years. (3) Alternative Points multiplied by 1% of final average earnings up to $48,000 plus Alternative-Plus Points multiplied by 1% of final average earnings in excess of $48,000, with the result divided by 10

	(4) Integrated Points multiplied by 1% of final average earnings plus Integrated-Plus Points multiplied by 1% of final average earnings in excess of the Social Security wage base, with the result divided by 10
Preretirement spouse benefit	50% of the benefit that would have been payable to the participant, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit.
Disability benefit	For participants who become disabled before eligibility for early or normal retirement and are not eligible for Long Term Disability (LTD), $9.60 per month times benefit service up to 30 years, payable until the participant's early retirement date at which time the participant receives an early retirement benefit. For participants who became disabled before eligibility for early or normal retirement and are eligible for LTD, they will continue to accrue benefit service to the earlier of their normal retirement date and the date at which they recover from disability. All other employees receive an early retirement benefit accrued on the date of disability. For disabilities occurring after eligibility for early or normal retirement, the benefit payable is the early or normal retirement benefit as applicable.

Eligibility for Benefits

Normal retirement	Retirement on NRD.
Early retirement	Attaining age 55 and completion of ten years of vesting service but not later than NRD.
Postponed retirement	Retire after NRD.
Disability retirement	Completion of ten or more years of vesting service, disabled and qualify for Social Security disability benefits.
Deferred vested	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 vested, 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	Pension benefit for formulas (1) and (2) is reduced by ¼% (3% annually) for each month that retirement precedes age 65. If participant has 25 years of benefit service at date of early retirement, pension benefit determined under formula (1) is reduced by ¼% (3% annually) for each month that retirement precedes age 60, and the pension benefit determined under formula (2) is unreduced. Pension benefit for formulas (3) and (4) is reduced ½% (6% annually) for each month that retirement precedes age 65. If participant has at least 20 but less than 25 years of benefit service at date of early retirement, pension benefit under formulas (3) and (4) is reduced ¼% (3% annually) for each month that retirement precedes age 65. If participant has 25 years of benefit service at date of early retirement, pension benefit under formula (3) is unreduced and the pension benefit under formula (4) is reduced ¼% (3% annually) for each month that retirement precedes age 60.
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	Generally, pension benefit determined as of termination date, reduced by ½% (6% annually) for each month that payment begins before age 65.
Death with preretirement spouse benefits	Preretirement spouse benefit is payable to eligible surviving spouse.

Other Plan Provisions

Forms of payment	Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single. Lump sum if present value is less than $5,000. Optional forms (actuarial equivalent to normal form): ▸ 10-year certain and continuous annuity ▸ 100% joint and survivor annuity ▸ 75% joint and survivor annuity ▸ Life annuity if married
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.

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Changes in Benefits Valued Since Prior Year

None

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UPS Retirement Plan RPA Account Balance Formulas — Points Schedule Applicable to Non-Grandfathered Participants

Company Name	Adopting Employer by 12/31/2000	Alternative Points Schedule	Alternative-Plus Points Schedule	Integrated Points Schedule	Integrated-Plus Points Schedule
Trailer Conditioners, Inc.	Yes	20	5	12	4
United Parcel Service Co.	Yes	20	5	12	4
United Parcel Service General Services Co.	Yes	20	5	12	4
UPS Fuel Services, Inc. (f/k/a UPS Aviation Services, Inc.)	Yes	20	5	12	4
UPS International General Services Co.	Yes	20	5	12	4
UPS Procurement Services Corporation	Yes	20	5	12	4
UPS Worldwide Forwarding, Inc.	Yes	20	5	12	4
United Parcel Service, Inc. (Ohio)	Yes	20	5	12	4
BT Realty Holdings, Inc.	Yes	20	5	12	4
United Parcel Service, Inc. (NY)	Yes	20	5	12	4
BT Realty Holdings II, Inc.	Yes	20	5	12	4
UPS Latin America, Inc.	Yes	20	5	12	4
UPS	No	20	5	12	4
Global Innovations Inc.	No	20	5	12	4
Market Drivers Inc.	No	20	5	12	4
UPS Capital Corporation	Yes	12	5	8	4
UPS Capital Insurance Agency, Inc. (f/k/a Glenlake Insurance Agency, Inc.)	Yes	12	5	8	4
UPS Capital Insurance Agency, Inc. of California (f/k/a Glenlake Insurance Agency, Inc. of CA)	Yes	12	5	8	4
UPS Capital Business Credit	No	12	5	8	4
FBC UPS Capital Bus. Credit NJ	No	12	5	8	4
Pax Logistics International, Ltd.	Yes	5	4	4	4
UPS Logistics Technologies, Inc. (f/k/a Roadnet)	Yes	5	4	4	4
UPS Supply Chain Management, Inc. (f/k/a UPS World Wide Logistics)	Yes	5	4	4	4
Diversified Trimodal, Inc. (d/b/a Martrac)	Yes	5	4	4	4
Worldwide Dedicated Services, Inc.	Yes	5	4	4	4
UPS Aviation Technologies, Inc. (f/k/a II Morrow)	Yes	5	4	4	4
UPS Customhouse Brokerage	Yes	5	4	4	4
UPS Supply Chain Management Nevada, Inc. (f/k/a WWL - Nevada)	No	5	4	4	4
UPS Supply Chain Management Tristate, Inc. (f/k/a WWL - Tristate)	No	5	4	4	4
UPS Service Parts Logistics, Inc. (f/k/a SonicAir)	No	5	4	4	4
UPS Logistics Group Americas, Inc. (Comlasa)	No	5	4	4	4
UPS Telecommunications, Inc. (MicroAge)	No	5	4	4	4
Fritz US	No	5	4	4	4
UPS Consulting, Inc.	No	5	4	4	4
ConnectShip, Inc.	No	5	4	4	4
Iship	No	5	4	4	4
UPS Logistics Group Puerto Rico	No	5	4	4	4
UPS Autogistics	No	5	4	4	4

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Company Name	Adopting Employer by 12/31/2000	Alternative Points Schedule	Alternative-Plus Points Schedule	Integrated Points Schedule	Integrated-Plus Points Schedule
Logistics Domestic	No	5	4	4	4
UPS Mail Technologies (f/k/a/ Mail 2000 Inc.)	No	5	4	4	4
UPS Mailboxes Inc.	No	5	4	4	4
UPS Expedited Mail Services, Inc. (f.k.a. Region Mail Express)	No	5	4	4	4
UPS Supply Chain Solutions	No	5	4	4	4
UPS Global Forwarding Services, Inc (a.k.a. Unistar US, never adopted Plan; employees covered by Plan once merged with Fritz)	No	5	4	4	4
UPS Trade Management Services	No	5	4	4	4
UPS Cartage Services US	No	5	4	4	4
UPS Cartage Services Latin America	No	5	4	4	4
SCS Forwarding US (f.k.a. Menlo Forwarding)	No	5	4	4	4

2. Applicable to Freight participants (including Grandfathered Overnite)

Plan Provisions

Covered Employees	All employees of UPS Ground Freight, Inc. and any affiliated company that adopts the plan, except: ▸ Employees covered by a collective bargaining agreement ▸ Employees currently accruing benefits under any other non-governmental pension or profit sharing plan (except the UPS Savings Plan) to which UPS makes contributions. ▸ Any person while assigned to the company's Special Services Division (SSD) or OMC Logistics who first became an employee on or after September 1, 2002, or who was rehired on/after September 1, 2002 without retaining credit for prior vesting and credited service ▸ Employees who are classified as "work at home customer service employees" ▸ Any leased employee ▸ Any non-resident alien who is not receiving U.S. pay from the company
Participation Date	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.

Definitions

Vesting service	For service on and after January 1, 2006, vesting service is calculated as described for non-Freight (RPA) participants. Service prior to January 1, 2006 is calculated in accordance with the prior plan.
Benefit service	For service on and after January 1, 2006, benefit service is calculated as described for non-Freight (RPA) participants. Service prior to January 1, 2006 is calculated in accordance with the prior plan. Benefit service is limited to an overall cap of 30 years.
Grandfathered Overnite participant	A participant in the Overnite Retirement Plan on December 31, 2005.
Compensation	Compensation on and after January 1, 2006 is determined as described for non-Freight (RPA) participants. Compensation pay prior to January 1, 2006 is calculated in accordance with the prior plan.
Final average pay	Final average pay on and after January 1, 2006 is determined as described for non-Freight (RPA) participants. Final average pay for determination dates prior to January 1, 2006 is calculated in accordance with the prior plan.
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 or an optional form factor determined by an interest rate of 7% and the UP 1984 Unisex Pension Mortality Table.
Pension benefit	1.725% of final average earnings multiplied by benefit service up to 30 years
Preretirement spouse benefit	Same as non-Freight (RPA) participants.
Disability benefit	For participants who become disabled before eligibility for early or normal retirement but on or before June 30, 2006, accrued benefit using service projected to age 65, payable until age 65. At age 65, the disability benefit is the normal retirement benefit based on service through age 65. For participants who become disabled before eligibility for early or normal retirement but after July 1, 2006: ► If not eligible for Long Term Disability (LTD), $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. ► If eligible for LTD, they will continue to accrue benefit service to the earlier of their normal retirement date and the date at which they recover from disability. All other employees receive an early retirement benefit accrued on the date of disability. 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.

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
Deferred vested	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	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. If participant has 30 years of benefit service at date of early retirement, pension benefit is unreduced. 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. If participant has attained age 60 and 25 years of benefit service at date of early retirement, 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 Normal Retirement Date. May commence as early as age 55 if completed 10 years of vesting service. Reduction in benefit for early commencement the same as the Early retirement benefit above.
Death with preretirement spouse benefits	Preretirement spouse benefit is payable to eligible surviving spouse.

Other Plan Provisions

Forms of payment	Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single. Lump sum if present value is less than $5,000. Optional forms (actuarial equivalent to normal form): ▸ 50% joint and survivor annuity (non-spouse beneficiary) ▸ 100% joint and survivor annuity ▸ 75% joint and survivor annuity ▸ Social Security level Income at age 62 or age 65 (only available to grandfathered participants) Disabled retirees prior to July 1, 2006 are not eligible for the 100% joint and survivor annuity or the Social Security level income options.
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.

3. Applicable to Grandfathered Motor Cargo

Plan Provisions	
Covered Employees	All prior employees of Motor Cargo except: ▸ Any leased employee ▸ Any "reclassified" employee (independent contractors and outsourced employees) ▸ Any employee covered by a collective bargaining agreement Motor Cargo Distribution Services has not adopted the plan.
Participation Date	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.

Definitions	
Vesting service	For service on and after January 1, 2006, vesting service is calculated as described for non-Freight (RPA) participants. Service prior to January 1, 2006 is calculated in accordance with the prior plan.
Benefit service	For service on and after January 1, 2006, benefit service is calculated as described for non-Freight (RPA) participants. Service prior to January 1, 2006 is calculated in accordance with the prior plan. Benefit service is subject to all overall maximum of 30 years. However, once a participant reaches 30 years in total including service with Motor Cargo and service as a UPS employee, future years of service as a UPS employee will replace years of service earned as a Motor Cargo employee.
Compensation	Compensation on and after January 1, 2006 is determined as described for non-Freight (RPA) participants.
Final average earnings	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.
Grandfathered Motor Cargo participant	A participant in the Motor Cargo Pension Plan on December 31, 2005 unless subject to a collective bargaining agreement.
Normal retirement date (NRD)	For a grandfathered Motor Cargo participant, first of month coinciding with or next following the attainment of age 65. 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.

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Actuarial Equivalence	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 or an optional form factor determined by an interest rate of 8% and the UP 1984 Unisex Pension Mortality Table.
Pension benefit	Sum of (1), (2) and (3): (1) Accrued benefit as of December 31, 1988; (2) For service after 1988 and before 2006: Monthly amount per year of benefit service, based

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

(3) 1.725% of final average earnings multiplied by benefit service earned after 2005.

Total benefit service is limited to 30 years, as described above in benefit service.

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	For participants who become disabled before eligibility for early or normal retirement but on or before June 30, 2006, disability benefit is 55% of the vested accrued benefit. For participants who become disabled before eligibility for early or normal retirement but after July 1, 2006: ► If not eligible for LTD, $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. ► If eligible for LTD, they will continue to accrue benefit service to the earlier of their normal retirement date and the date at which they recover from disability. All other employees receive an early retirement benefit accrued on the date of disability. 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.

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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)
Deferred vested	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	Pension benefit for formulas (1) and (2) is reduced by 0.375% (4.5% annually) for each month that retirement precedes age 65. Pension benefit for formula (3) is reduced as follows: ▸ 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) and (2) reduced by 0.375% (4.5% annually) for each month that retirement precedes age 65. Pension benefit for formula (3) is reduced by 0.4167% (5% annually) for each month that payment begins before age 65.

Death	Preretirement spouse benefit is payable to eligible surviving spouse. 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.

Other Plan Provisions

Forms of payment	Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single. Lump sum if present value is less than $5,000. Optional forms (actuarial equivalent to normal form): ▸ 5-year certain and continuous annuity ▸ 10-year certain and continuous annuity ▸ 50% or 75% joint and survivor annuity (non-spouse beneficiary) ▸ 100% joint and survivor annuity
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.

4. Applicable to Pilots

Plan Provisions	
Covered Employees	Employed as a crewmember (i.e., flight engineer, second officer, first officer or captain) and represented by the Independent Pilots Association (IPA), and not covered by any other UPS-sponsored defined benefit plan
Participation Date	If crewmember was (a) an eligible employee on seniority list on March 17, 1998 and (b) age 21 with one vesting year as of March 17, 1998, participation date is March 17, 1998. For all others, participation date is the January 1 or July 1 following attainment of age 21 and completion of one vesting year.
Definitions	
Vesting year	First 12 months of employment (if crewmember completes 750 hours of service), or a calendar year in which crewmember completes 750 hours of service. Vesting years are counted from initial hire date with UPS.
Normal retirement date (NRD)	Attainment of age 60 and one vesting year
Actuarial Equivalence	7% and 1983 Group Annuity Mortality (GAM) : male table for participants; female table for beneficiaries.
Compensation	Compensation reported on Form W-2, including any amounts deferred under Sections 125, 129 or 401(k) of the Internal Revenue Code (IRC). Limited each year by the annual compensation limit.
Annual compensation limit	Compensation is limited to the minimum of $300,000 and the IRS pay limit for qualified plans
Final average earnings (FAE)	Average of highest five completed calendar years of compensation in last ten complete calendar years of covered employment. For postponed retirement, FAE is the greater of FAE as if retired at age 60 or FAE at postponed retirement date.
Service credit	Service is credited under the plan for covered employment after 1987. For plan years prior to January 1, 2004, eligible participants will be credited with a full year of service for each calendar year in which he or she worked at least one hour in Covered Employment. For plan years beginning on or after January 1, 2004, years and months of service credit will be determined according to the following schedule:

Hours of Covered Employment in Each Calendar Year	*Months of Service Credit*
Less than 81	0
81 – 162	3
163 – 243	4
244 – 324	5
325 – 405	6
406 – 487	7
488 – 568	8
569 – 649	9
650 – 730	10
731 – 812	11
813 or more	12

Eligibility for Benefits

Normal retirement	First of month coincident with or following attainment of NRD
Early retirement	First of month coincident with or following attainment of age 55 and five vesting years, but not later than NRD
Postponed retirement	Retire after NRD
Deferred vested	Terminate for reasons other than death, disability or retirement after completing one vesting year.
Preretirement spouse benefit	Die while an active plan participant, married and vested, or after retirement or vested termination but before benefit commencement
Disability	Loss of license after completion of probationary period

Benefits Paid Upon the Following Events

Normal retirement	1.0% of final average earnings times years and months of service credit (maximum 30 years). For participants reaching their Normal Retirement Age prior to January 1, 2017, their Normal Retirement benefit will not be less than a dollar amount equal to (1) times (2):

	(1) $3,000 if highest rank attained is Captain; $2,400 if highest rank attained is First Officer or Flight Engineer; or $2,100 if highest rank attained is Second Officer; (2) Years and months of service credit (maximum 30 years)
Early retirement	Same benefit as for normal retirement, based on final average earnings and service credit at early retirement. Benefit is actuarially reduced if benefits commence prior to normal retirement.
Postponed retirement	Same benefit as for normal retirement but using service credit at actual termination. The FAE used is the greater of FAE at actual retirement or FAE at age 60.
Death with preretirement spouse benefit	Benefit payable to surviving spouse equal to 50% of benefit that would have been payable to the participant, assuming the participant terminated on his date of death and commenced benefits in the form of a 50% joint and survivor annuity.
Disability	Benefit payable is same as for normal retirement except: ▸ Service accrues after disability as if participant remained in active employment until normal retirement date (or early retirement date, if elected). Accrual ceases if participant obtains other gainful employment, recovers from disability or retires. ▸ FAE is based on compensation paid during active employment prior to becoming disabled.
Termination with deferred vested benefit	Same benefit as for normal retirement, based on final average earnings and service credit at termination. Benefit is actuarially reduced if benefits commence prior to normal retirement.

Other Plan Provisions

Forms of payment	Actuarially equivalent 50% joint and survivor annuity if married on date payments commence; life annuity if single. Optional forms (actuarial equivalent to normal form): ▸ Single life annuity (for married participants) ▸ 50%, 66⅔%, 75% and 100% joint and survivor annuity ▸ Life annuity with certain period (5, 10, 15 or 20 years) ▸ Level income option at age 62 or age 65

Changes in Benefits Valued Since Prior Year

None

5. Applicable to Portable Account Formula (PAF) participants

Plan Provisions	
Covered Employees	All eligible employees hired, rehired or transferred into the Retirement Plan as an employee on or after January 1, 2008 (excluding newly hired pilots).
Participation Date	Immediate upon hire, rehire or transfer.

Definitions	
Vesting service	One year for each calendar year in which an employee completes 750 hours of service.
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 eligible MIP compensation, limited as required by Section 401(a)(17) of the Internal Revenue Code. Eligible MIP compensation is equal to MIP/IMIP ownership incentive awards plus MIP/IMIP performance incentive awards times the legacy MIP percentage is defined for each job group as the current MIP/IMIP target over the legacy MIP/IMIP target (prior to inclusion of long-term incentives). For the purpose the MIP/IMIP awards considered includes the value of the restricted stock unit portion of the award (as of the award date) even if not vested.
PAF balance	The sum of annual compensation credits plus interest credits.
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.
Pension benefit	The PAF balance as a single lump sum or actuarially equivalent annuity.
Preretirement spouse benefit	The surviving spouse will be entitled to receive the PAF balance as a single lump sum or an actuarially equivalent life annuity based on the surviving spouse's age at commencement.
Annual compensation credits	A percentage of pensionable pay (depending on Employer Company Group), based on the sum of the participant's age plus vesting service, as of January 1 of any plan year and the employer companies group as follows:

Age + Vesting Service	Employer Company Group A Compensation Credit	Employer Company Group B Compensation Credit
Under 35	5.0%	2.5%
35-54	6.0%	3.0%
55-74	7.0%	4.0%
75 or more	8.0%	5.0%

Groups A and B are defined in the attached exhibit.

Interest credit	Interest Credits are applied at the end of the plan year to the January 1 PAF balance based on the interest credit percentage in effect for the plan year.
Interest credit percentage	The annual rate of interest on 30-year Treasury securities for the month of August preceding the applicable Plan Year, but not less than 2.5% per year.

Eligibility for Benefits

Normal retirement	Retirement on NRD.
Postponed retirement	Retirement after NRD.
Deferred vested	Termination for reasons other than death or retirement after completing three years of vesting service but before early retirement.
Preretirement spouse benefit	Die while a member of the plan, married, and vested, but before benefit commencement.

Other Plan Provisions

Forms of payment	Lump sum or actuarially equivalent 50% joint and survivor annuity if married on date payments commence; actuarially equivalent life annuity if single. Optional forms (actuarial equivalent to normal form): ▸ 10-year certain and continuous annuity ▸ 75% joint and survivor annuity ▸ 100% joint and survivor annuity ▸ Life annuity if married
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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Company Name
Group A
Trailer Conditioners, Inc.
United Parcel Service Co.
United Parcel Service General Services Co.
UPS Fuel Services, Inc. (UPS Aviation Services, Inc. prior to January 1, 2003)
UPS International General Services Co.
UPS Procurement Services Corporation
UPS Worldwide Forwarding, Inc.
United Parcel Service, Inc. (Ohio)
BT Realty Holdings, Inc.
United Parcel Service, Inc. (NY)
BT Realty Holdings II, Inc.
UPS Latin America, Inc.
United Parcel Service of America, Inc
UPS Capital Corporation
UPS Capital Insurance Agency, Inc. (Glenlake Insurance Agency, Inc. prior to August 12, 2002)
UPS Capital Insurance Agency, Inc. of California (Glenlake Insurance Agency, Inc. of CA prior to August 13,2002)
UPS Ground Freight, Inc. (formerly Overnite Transportation Company (for periods before May 1, 2006) or Motor Cargo Industries, Inc.
Group B
Pax Logistics International, Ltd.
UPS Logistics Technologies, Inc. (f/k/a Roadnet Technologies, Inc.)
UPS Supply Chain Management, Inc. (f/k/a UPS World Wide Logistics)
UPS Supply Chain Management, Inc. (including Diversified Trimodal, Inc. d/b/a Martrac)
Worldwide Dedicated Services, Inc.
UPS Customhouse Brokerage

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 RETIREMENT PLAN

B Three-digit plan number (PN) ▶ 001

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: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [ ] 100 or fewer [ ] 101-500 [X] More than 500

Part I Basic Information

1 Enter the valuation date: Month 1 Day 1 Year 2016

2 Assets:

a Market value	2a	18,043,311,969
b Actuarial value	2b	18,043,311,969

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	34,503	7,468,951,642	7,468,951,642
b For terminated vested participants	60,258	2,055,964,562	2,055,964,562
c For active participants	91,050	5,732,121,435	6,991,574,382
d Total	185,811	15,257,037,639	16,516,490,586

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	6.20 %
6 Target normal cost	6	471,394,965

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

TH

Signature of actuary

10/11/17
Date

TIMOTHY HOPPIN, F.S.A., E.A.
Type or print name of actuary

17-07404
Most recent enrollment number

TOWERS WATSON DELAWARE INC.
Firm name

(404)224-5000
Telephone number (including area code)

FIVE CONCOURSE PARKWAY SUITE 1800

ATLANTA GA 30328
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 [ ]

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)	2,763,128,397	1,865,442,496
8	Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	425,000,000	0
9	Amount remaining (line 7 minus line 8)	2,338,128,397	1,865,442,496
10	Interest on line 9 using prior year's actual return of 0.15%	3507193	2798164
11	Prior year's excess contributions to be added to prefunding balance:		
	a Present value of excess contributions (line 38a from prior year)		279593462
	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 6.39%		0
	b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		419,390
	c Total available at beginning of current plan year to add to prefunding balance		280012852
	d Portion of (c) to be added to prefunding balance		271533069
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)	2,341,635,590	2139773729

Part III Funding Percentages

14	Funding target attainment percentage	14	82.11%
15	Adjusted funding target attainment percentage	15	109.24%
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	108.68%
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	650,000,000				
03/01/2017	825,000,000				
			Totals ► 18(b)	1,475,000,000	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	1,384,215,327

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:

	1st segment:	2nd segment:	3rd segment:	
a Segment rates:	4.43 %	5.91 %	6.65 %	☐ N/A, full yield curve used

b Applicable month (enter code)	**21b**	4
22 Weighted average retirement age	**22**	62

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**	471,394,965
b Excess assets, if applicable, but not greater than line 31a	**31b**	0

32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	0	0
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**	471,394,965

	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	335,000,000	0	335,000,000

36 Additional cash requirement (line 34 minus line 35)	**36**	136,394,965
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	**37**	1,384,215,327
38 Present value of excess contributions for current year (see instructions)		
a Total (excess, if any, of line 37 over line 36)	**38a**	1,247,820,362
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	**38b**	335,000,000
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

UPS Retirement Plan

Employer ID No.: 95-1732075
Plan Number: 001

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 RETIREMENT 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.

Deloitte.

Deloitte & Touche LLP
191 Peachtree Street NE
Suite 2000
Atlanta, GA 30303-1943
USA

Tel:+1 404 220 1500
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Administrative Committee of
the UPS Retirement Plan:

We have audited the accompanying financial statements of the UPS Retirement 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.

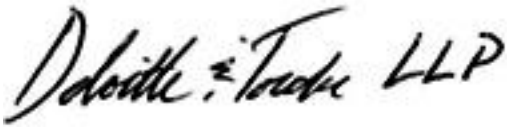
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the UPS Retirement 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.



October 16, 2017

UPS RETIREMENT PLAN

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

	2016	2015
ASSETS:		
Investments—at fair value:		
Plan interest in the UPS Master Trust	$18,551	$17,748
Investments held outside the UPS Master Trust	58	2
Assets held in 401(h) account	15	130
Total investments	18,624	17,880
Contributions receivable	325	310
Pension Benefit Guaranty Corporation Premium receivable	12	-
Total assets	18,961	18,190
LIABILITIES:		
Amounts related to obligation of 401(h) account	15	130
NET ASSETS AVAILABLE FOR PENSION BENEFITS	$18,946	$18,060

See notes to financial statements.

UPS RETIREMENT PLAN

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

	2016	2015
NET ASSETS AVAILABLE FOR PENSION BENEFITS—Beginning of year	$18,060	$18,407
ADDITIONS:		
Employer contributions	975	310
Net investment income—interest in UPS Master Trust investment income	1,091	13
Total additions	2,066	323
DEDUCTIONS:		
Benefits paid to Plan beneficiaries	1,126	656
Administrative expenses:		
Fees and commissions	2	2
Insurance premiums to Pension Benefit Guaranty Corporation	52	12
Total deductions	1,180	670
NET INCREASE (DECREASE)	886	(347)
NET ASSETS AVAILABLE FOR PENSION BENEFITS—End of year	$18,946	$18,060

See notes to financial statements.

1. DESCRIPTION OF THE PLAN

The following description of the UPS Retirement 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 September 1, 1961, 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 substantially all employees of United Parcel Service, Inc. (UPS or the "Company"), who are not members of a collective bargaining unit, or, if they are, whose bargaining unit agreement specifically provides for their participation in the Plan.

Contributions—Contributions to the Plan are made by UPS. UPS' 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 $975 million and $310 million to the Plan for the years ended December 31, 2016 and 2015, respectively. These amounts included $325 million remitted on March 1, 2017 and $310 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.

Closed Plan—The Plan was closed to new nonunion participants effective July 1, 2016. The Company amended the UPS 401(k) Savings Plan so that employees who previously would have been eligible for participation in the Plan will, in addition to current benefits under the UPS 401(k) Savings Plan, begin receiving a UPS retirement contribution. For employees eligible to receive the retirement contribution, UPS will generally contribute 3% to 8% of eligible pay to the UPS 401(k) Savings Plan based on years of vesting service and business unit. Contributions will be made annually in cash to the accounts of participants who are employed on December 31 of each calendar year and become vested after the employee reaches three complete years of service from their original employment date.

Pilots—There are approximately 2,600 pilots covered by the Plan who are employed under a collective bargaining agreement with the Independent Pilots Association (IPA), which became amendable at the end of 2011. On August 31, 2016, the IPA members voted to ratify a new five-year labor contract. Terms of the agreement became effective September 1, 2016, and run through September 1, 2021. Plan benefits have been increased by the new agreement for pilot terminations occurring after June 1, 2016.

Participants in the Plan fall into three broad categories: Final average compensation formula, pilots, and Portable Account Formula (PAF) participants. Each of these categories is described below:

	Final Average Compensation Formula	**Pilots**	**Portable Account Formula**
Eligibility for Participation	• Hired before January 1, 2008 • At least 21 years old • Completed at least 750 paid hours of service during the first 12 months of hire or during any calendar year thereafter	• January 1 or July 1 following attainment of age 21 • Completion of one vesting year	• All eligible employees, except pilots, hired, rehired, or newly eligible on or after January 1, 2008, but before July 1, 2016.
Benefits and Vesting			
Normal Retirement	• Benefits commence at age 65 • Benefits are based upon years of service, age, and final average earnings • Single life as well as joint and survivor annuity options are available	• Benefits commence at age 65 • Benefits are based upon rank, years of service, age, and final average earnings • Single life as well as joint and survivor annuity options are available	• Benefits commence at age 65. • Participants receive annual compensation and interest credits while a participant in the Plan. • Annual compensation credits are a percentage of pensionable pay based on the sum of the participant's age plus vesting service.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Normal Retirement (Continued)			• The interest credit percentage is the annual rate of interest on the 30-year treasury securities for the month of August preceding the applicable Plan year, but not less than 2.5% per year. • Participants can take the PAF balance as a single lump sum or actuarially equivalent annuity.
Early Retirement for Active Participants	• Benefits are available at a reduced rate dependent upon the number of years of service and the actual age of the participant at retirement	• Benefits are available at a reduced rate dependent upon the number of years of service and the actual age of the participant at retirement	• Benefits are available to terminated employees as a lump sum or as an annuity. The annuity is determined by converting the PAF balance to the applicable single or joint annuity option.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Early Retirement for Terminated Deferred	• Benefits are determined as of termination date and are reduced by a certain percentage for each full or partial year that payments begin prior to Normal Retirement Age	• Benefits are determined as of termination date and are reduced by a certain percentage for each full or partial year that payments begin prior to Normal Retirement Age	• PAF balances are determined as of the end of each Plan year or at benefit commencement date, whichever is earlier. Compensation credit and interest credit is granted in the termination year, as applicable. Additionally, interest credit is granted in subsequent years if the benefit is not distributed to the participant.

	Final Average Compensation Formula	Pilots	Portable Account Formula
Disability	• For vested participants not covered under another UPS-sponsored disability plan, disability benefits are as follows: A. For disabilities occurring before eligibility for normal retirement, the benefit is $9.60 per month times the number of years of benefit service to a maximum of 30 years and is payable until the disabled participant reaches normal retirement date, elects an early retirement benefit, or dies. B. For disabilities occurring after eligibility for normal retirement, the normal retirement benefit is paid instead of the disability benefit.	• The Plan does not provide a disability benefit for this group A. Service accrues after disability as if participant remained in active employment until normal retirement date (or early retirement date, if elected). Accrual ceases if participant obtains other gainful employment, recovers from disability, or retires. B. Final average earnings are based on compensation paid during active employment prior to becoming disabled.	• The Plan does not provide a disability benefit for this group

	Final Average Compensation Formula	Pilots	Portable Account Formula
Preretirement Death Benefit	• 50% of the benefit that would have been payable to the spouse or domestic partner, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit	• 50% of the benefit that would have been payable to the spouse, assuming early retirement on the date of death or earliest retirement date if later and election of a 50% joint and survivor benefit	• The surviving spouse or domestic partner will be entitled to receive the PAF balance as a single lump sum or actuarially equivalent life annuity based on the surviving spouse's age at commencement
Vesting	• Completion of five years of service	• Completion of one vesting year	• Completion of three years of service

All benefits and compensation for any calendar year may not exceed the maximum limitation for that year as defined in the IRC. The Plan provides for increasing the dollar limits automatically as such changes become effective.

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 9,300 participants accepted this option, accelerating $414 million in benefit payments during 2016 while reducing the number of participants who are due future payments from the plan.

401(h) Account—The Plan was amended on January 1, 1976, to include a medical benefit component in addition to the normal retirement benefits to fund a portion of the postretirement obligation for retirees and their beneficiaries in accordance with Section 401(h) of the IRC. A separate account has been established and maintained in the Plan for the net assets related to the medical benefit component ("401(h) account"). The related obligations for health and welfare benefits are not included in this Plan's obligations, but are reflected as obligations in the financial statements of the UPS Retired Employees Health Care Plan. Plan participants reimburse the 401(h) account for certain health and welfare benefits received, which are not covered under the Plan. Participant reimbursements to the 401(h) account were $6.5 million and $6.0 million in 2016 and 2015, respectively. Certain of the Plan's net assets are restricted to fund a portion of postretirement health benefits for retirees and their beneficiaries in accordance with IRC Section 401(h).

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 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, U.S. 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:

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

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.

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 no-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 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	62.4	62.4

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

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

	2016	2015
Vested benefits:		
Other participants	$ 5,781	$ 5,680
Participants and/or beneficiaries currently receiving benefits	5,975	5,571
Total vested benefits	11,756	11,251
Nonvested benefits	1,201	1,092
Total actuarial present value of accumulated plan benefits	$12,957	$12,343

The changes in the actuarial present value 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	$11,582
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	268
Benefits paid	(656)
Decrease in the discount period	1,009
Actuarial loss	152
Actuarial Assumption changes*	(12)
Actuarial present value of accumulated plan benefits— December 31, 2015	12,343
Increase (decrease) during the year attributable to:	
Additional benefits accumulated	286
Benefits paid**	(1,126)
Decrease in the discount period	1,074
Actuarial loss	321
Actuarial Assumption changes***	(120)
Plan amendments****	179
Actuarial present value of accumulated plan benefits— December 31, 2016	$12,957

* The impact of the assumption changes is due to a decrease in the interest crediting rate from 4.50% to 3.30%.

** Reflects 9,339 lump sum elections made as part of the December 2016 lump sum opportunity.

*** Reflects a decrease in the interest crediting rate from 3.30% to 2.87% and update of mortality improvement scale table from modified MP-2014 to modified MP-2016.

**** Reflects negotiated benefit increases for the IPA contract ratified in 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 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	1,229	923
Total investments	32,176	29,982
Unsettled securities transactions receivable (payable):		
Interest and dividends	78	72
Due from brokers	86	153
Accrued expenses	(1)	(1)
Other payables*	(189)	(294)
Total unsettled securities transactions payable	(26)	(70)
Contributions receivable	791	1,161
Net assets of the Master Trust	$32,941	$31,073
Net assets of the Master Trust-excluding contribution receivable	$32,150	$29,912
Plan's interest in Master Trust as a percentage of the total, rounded	58 %	58 %

* 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	(106)	(95)
Investment income of Master Trust	$1,835	$ 13
Plan's interest in investment income of Master Trust	$1,091	$ 13

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 the in 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	422	-	-	422
Total common and preferred stocks	7,875	156	-	8,031
Corporate debt instruments	-	5,157	-	5,157
U.S. government securities	6,001	363	-	6,364
Interest-bearing cash	12	141	-	153
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	-	-	-	-
Total registered investment companies	1,229	-	-	1,229
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	-	152	-	152
Total collective trust funds	-	3,871	-	3,871
Derivative instruments and other investments	-	170	-	170
Partnerships, joint ventures, and real estate:				
Emerging markets	-	-	-	-
Fixed income*	-	-	-	321
Global equity	1	-	-	1
Hedge funds*	-	481	-	2,285
Private equity*	-	-	-	1,850
Credit*	-	303	-	813
Real estate*	-	-	-	1,508
Total partnerships, joint ventures, and real estate	1	784	-	6,778
103-12 investment entities—hedge funds*	-	-	-	423
Total investments	$15,118	$10,642	$ -	$32,176

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	319	-	-	319
Total common and preferred stocks	8,930	152	-	9,082
Corporate debt instruments	-	4,099	6	4,105
U.S. government securities	4,102	264	-	4,366
Interest-bearing cash	23	13	-	36
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	-	-	-	-
Total registered investment companies	863	60	-	923
Collective trust funds:				
Emerging markets	-	131	-	131
International equity	-	805	-	805
U.S. large cap	-	1,685	-	1,685
U.S. small cap	-	44	-	44
Total collective trust funds	-	2,665	-	2,665
Derivative instruments and other investments	1	355	-	356
Partnerships, joint ventures, and real estate:				
Emerging markets	-	29	-	29
Fixed income*	-	-	-	1,148
Global equity	1	-	-	1
Hedge funds*	-	-	-	3,821
Private equity*	-	-	-	1,475
Real estate*	-	-	-	1,610
Total partnerships, joint ventures, and real estate	1	29	-	8,084
103-12 investment entities—hedge funds*	-	-	-	365
Total investments	$13,920	$7,637	$ 6	$29,982

* 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	-
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	(5)
Ending balance—December 31, 2016	$ -

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	Net Amount
Credit default swaps	$ 5	$ -	$ 5	$ -	$ (5)	$ -
Forward contracts	31	(16)	15	-	-	15
Futures contracts	-	-	-	-	-	-
Interest rate swaps	1	(1)	-	-	-	-
Securities lending	203	-	203	(208)	-	(5)
Repurchase agreements	-	-	-	-	-	-
Swaptions	7	(7)	-	-	-	-
Total financial instruments	$247	$(24)	$223	$(208)	$ (5)	$ 10

	(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 Liabilities	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	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	8	(7)	1	-	(1)	-
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)
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**	**Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits**		**Net Amount**
				Financial Instruments	**Cash Collateral Received**	
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	1	(1)	-	-	-	-
Total financial instruments	$757	$ (2)	$755	$(316)	$ (7)	$432

	(i)	(ii)	(iii) = (i)—(ii)	(iv)		(v) = (iii)—(iv)
Instrument Type	**Gross Amounts of Recognized Liabilities**	**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**	**Gross Amounts Not Offset in the Statement of Net Assets Available for Benefits**		**Net Amount**
				Financial Instruments	**Cash Collateral Pledged**	
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 October 15, 2015, that the Plan and related trust were designed in accordance with the applicable regulations of the IRC. The Plan has been amended since receiving the determination letter; however, the Company and the 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

Certain 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 the investment management and associated trustee/custodian services were $0.7 million and $0.6 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 $0.5 million and $0.5 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 following is a reconciliation of net assets available for pension benefits per the financial statements to the Form 5500 for the years ended December 31, 2016 and 2015.

	2016	2015
Net assets available for pension benefits per the financial statements	$18,946	$18,060
Net assets held in 401(h) account included as assets in the Form 5500	15	130
Net assets available for pension benefits per the Form 5500	$18,961	$18,190

The net assets of the 401(h) account included in the Form 5500 are not available to pay pension benefits, but can be used only to pay retiree health benefits.

The following is a reconciliation of the changes in net assets available for pension benefits per the financial statements to the Form 5500 (in millions):

	2016		
	Amounts per Financial Statements	**401(h) Account**	**Amounts per Form 5500**
Employer contributions	$ 975	$ 20	$ 995
Employee contributions	-	6	6
Net appreciation in fair value of investments	1,091	4	1,095
Benefits paid to Plan beneficiaries	1,126	138	1,264
Benefits paid to insurance carrier	-	2	2
Administrative expenses	54	6	60

	2015		
	Amounts per Financial Statements	**401(h) Account**	**Amounts per Form 5500**
Employee contributions	$ -	$ 6	$ 6
Net appreciation in fair value of investments	13	2	15
Benefits paid to Plan beneficiaries	656	130	786
Benefits paid to insurance carrier	-	1	1
Administrative expenses	14	6	20

11. SUBSEQUENT EVENTS

On June 23, 2017, the Plan was amended to cease accruals of additional benefits for future service and compensation for non-union participants effective January 1, 2023. Concurrently, the UPS 401(k) Savings Plan was amended effective January 1, 2023, to make previously ineligible non-union U.S. employees eligible for UPS Retirement Contributions, which range from 5% to 8% of eligible compensation based on the employee's length of employment. Additionally, the amendment provides for transition contributions to certain participants starting January 1, 2023.

Non-union retirees already collecting benefits and former employees with a vested benefit will not be affected by the foregoing amendment. Affected employees will keep the benefits earned in the Plan through January 1, 2023.

UPS remitted $825 million in contributions to the Plan on March 1, 2017 in respect of 2016, of which $325 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 RETIREMENT PLAN

Employer ID No.: 95-1732075
Plan Number: 001

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	$58,417,692	$58,417,692
TOTAL INVESTMENTS HELD OUTSIDE OF MASTER TRUST		$58,417,692	$58,417,692