

CENTRAL STATES FUNDS
FINANCIAL AND ANALYTICAL INFORMATION
JUNE 30, 2007
TRUSTEE MEETING OF JULY 17, 2007

Financial Report FR

PENSION FUND

Executive Summary A-1

Financial Statements A-2

Statement of Receipts and Disbursements A-3

Graph A-4

HEALTH AND WELFARE FUND

Executive Summary B-1

Financial Statements B-2

Statement of Receipts and Disbursements B-3

Graph B-4

FINANCIAL REPORT
June 30, 2007 and the Six Months Then Ended

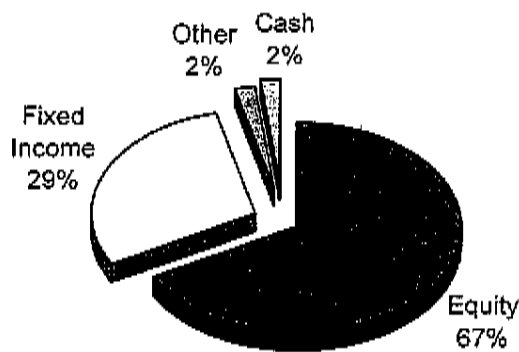
HIGHLIGHTS

PENSION FUND:

- Net assets decreased \$261.7 million during June resulting in a month end balance of \$21.4 billion.
- Projected 12/31/2007 net asset balances based on various annualized rates of return on investment assets for the remainder of the year (dollars in thousands):

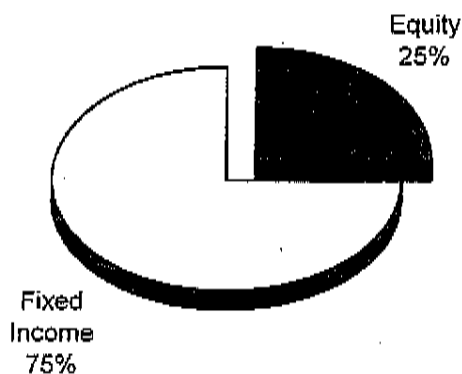
	4%	8%	12%
Net Assets at 12/31/2007	\$ 21,225,500	21,653,800	22,089,100

Investment asset allocation as of June 30, 2007:



HEALTH AND WELFARE FUND:

- Net assets increased \$23.8 million during June resulting in a month end balance of \$968.7 million.
- Investment asset allocation as of June 30, 2007:



FINANCIAL REPORT
June 30, 2007 and the Six Months Then Ended
(Dollars in Thousands)

PENSION FUND:

1. Net assets were \$21,364,797 at June 30, 2007, compared to \$20,672,748 at December 31, 2006, an increase of \$692,049 compared to a decrease of \$12,573 for the same period last year.

The \$704,622 difference is due to \$643,994 **more** investment income:

- \$604,527 **favorable** change in net realized and unrealized gain (loss),
- \$40,985 **more** interest and dividends and
- (\$1,518) **more** investment expenses,

combined with \$60,628 **less** net operating loss.

2. Projected 2007 investment income, increase in net assets and net asset balances at year-end based on various annualized rates of return on investment assets for the remainder of the year:

	4%	8%	12%
Investment Income	\$ 1,706,800	2,135,100	2,570,400
Increase in Net Assets	552,800	981,100	1,416,400
Net Assets at 12/31/07	21,225,500	21,653,800	22,089,100

3. A comparison of Full-Time Equivalent (FTE) memberships and retirees follows:

	<u>Memberships</u>	<u>Retirees</u>
As of:		
May 2007	145,618	211,957
December 2006	145,740	211,916
Five-months average :		
May 2007	143,631	212,021
May 2006	146,904	211,077
% increase (decrease)	(2.2)%	0.4%

4. For the six months ended June 30, 2007, the Fund's net asset decrease from operations (before investment income) was \$593,749 compared to \$654,377 for the same period in 2006, or a \$60,628 **favorable** change:
- \$85,858 **more** contributions, due to increase in contribution rates, an extra week of billing in 2007 and a \$12.2 million bankruptcy distribution from Consolidated Freightways, offset by a decrease in FTEs,
 - (\$25,381) **more** benefits paid, due to increase in pensioners, beneficiaries and average monthly benefits and
 - \$151 **less** general and administrative expenses.
5. During the six months ended June 30, 2007 and 2006, the Fund withdrew \$770,000 and \$800,882, respectively, from investment assets to fund the cash operating deficit.

HEALTH AND WELFARE FUND:

1. Net assets were \$968,670 at June 30, 2007, compared to \$907,979 at December 31, 2006, an increase of \$60,691 compared to an increase of \$40,375 for the same period last year.
2. A comparison of Full-Time Equivalent (FTE) memberships and retirees follows:

	<u>Memberships</u>	<u>Retirees</u>
As of:		
May 2007	95,912	16,216
December 2006	94,919	17,150
Five-months average:		
May 2007	94,960	16,646
May 2006	91,707	18,969
% increase (decrease)	3.5%	(12.2)%

3. For the six months ended June 30, 2007, the Fund's net asset increase before investment income was \$28,111 compared to an increase of \$28,989 for the same period in 2006, or an \$878 unfavorable change:
 - \$37,586 more contributions, primarily an extra billing week in 2007 combined with increased FTEs,
 - (\$37,043) more benefits, primarily increased health care costs,
 - (\$1,016) more TeamCare administrative fees and
 - (\$405) more general and administrative expenses.
4. For the six months ended June 30, 2007, net investment income was \$21,194 more than for the same period last year. The increase results primarily from \$15,769 favorable change in realized and unrealized gain (loss) combined with \$5,462 more interest and dividend income.
5. During the six months ended June 30, 2007 and 2006, the Fund transferred \$31,844 and \$49,424, respectively, to investments (Mellon Bank) as the operations generated positive cash flows for those periods.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Position

June 30, 2007

(Dollar amounts in thousands)

	June 30, 2007	December 31, 2006	Change in Net Assets		Commentary
			Dollars	Percentage	
Investments					
Cash equivalents	\$ 921,863	1,077,584	(155,721)	(0.7)	<u>Investments and related assets and liabilities</u> - See Named Fiduciary monthly management reports.
Fixed income	7,342,185	7,111,844	230,341	1.1	
Equity	12,645,976	11,991,814	654,162	3.2	
Other	531,886	688,183	(156,297)	(0.8)	
Total investments	21,441,910	20,869,425	572,485	2.8	<u>Other assets</u> - Includes timing for EFT funding and related withholdings of \$195 million.
Investment related assets	3,997,840	3,124,390	873,450	4.2	
Employer contributions receivable, net	139,266	138,727	539	-	
Other assets	201,083	6,672	194,411	0.9	
Total assets	25,780,099	24,139,214	1,640,885	7.9	
Investment related liabilities	4,291,289	3,365,557	(925,732)	(4.5)	
Other liabilities	124,013	100,909	(23,104)	(0.1)	
Total liabilities	4,415,302	3,466,466	(948,836)	(4.6)	
NET ASSETS	\$ 21,364,797	20,672,748	692,049	3.3	

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Operations

June 30, 2007

(Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		Commentary
	2007	2006	Dollars	Percentage	
INCOME & EXPENSES					
Contributions (includes W/L)	\$ 738,337	652,479	85,858	13.2	<u>Contributions</u> - Increase in contribution rates, an extra week of billing in 2007 and a \$12.2 million bankruptcy distribution from Consolidated Freightways, offset by a decrease in FTEs.
Benefits	1,313,231	1,287,850	(25,381)	(2.0)	
General and administrative expenses	18,855	19,006	151	0.8	<u>Benefits</u> - Increase in pensioners, beneficiaries and average monthly benefits.
Decrease in net assets before net investment income (loss)	(593,749)	(654,377)	60,628	N/A	<u>Net investment income (loss)</u> - See Named Fiduciary monthly management reports.
Net investment income (loss)	1,285,798	641,804	643,994	N/A	
Increase (Decrease) in net assets	\$ 692,049	(12,573)	704,622	N/A	

OPERATING STATISTICS

Benefits to contributions	177.9 %	197.4 %
General and administrative expenses to:		
Contributions	2.6 %	2.9 %
Benefits	1.4 %	1.5 %
Five month average FTEs	143,631	146,904
Contributions per average FTE	\$ 5,141	4,442
Benefits per average FTE	\$ 9,143	8,767
Pensioners and beneficiaries - current month	212,147	211,345
Current month average benefit per pensioner and beneficiary	\$ 1,030	1,012

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Current and Projected Operations
 June 30, 2007
 (Dollar amounts in thousands)

	June 2007		Variance	
	Actual	Projection	Favorable (Unfavorable) Dollars	Percentage
Contributions (includes w/L)	\$ 150,609	153,700	(3,091)	(2.0)
Benefits	219,576	219,800	224	0.1
General and administrative expenses	3,092	3,300	208	6.3
Decrease in net assets before net investment income(loss)	\$ (72,059)	(69,400)	(2,659)	M/A

	Actual through June 2007	July 2007	Projection Remainder of 2007	Year Ending December 2007
	Contributions (includes w/L)	\$ 738,337	113,400	673,763
Benefits	1,313,231	220,300	1,107,069	2,640,600
General and administrative expenses	18,855	3,300	16,745	38,900
Decrease in net assets before net investment income(loss)	\$ (593,749)	(110,200)	(450,051)	(1,154,000)

Assumptions Used in 2007 Projection

Contributions - Scheduled contract rate increases, no change in plan mix and \$56.2 million in estimated withdrawal liability income.

Benefits - Increase in pensioners, beneficiaries and average monthly benefits.

General and administrative expenses - Actual expenses to date plus 2% increase over 2006 expenses for remaining months.

The following table represents 2007 projected increase in net assets and resulting year end net assets assuming various annualized rates of return on investment assets for the remainder of this year:

	4%	8%	12%
Projected increase in net assets	\$ 552,800	981,100	1,416,400
Projected net assets at 12/31/07	\$ 21,225,500	21,653,600	22,089,100

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

	June 30, 2007	December 31,	
	2007	2006	2005
ASSETS			
Investments:			
Cash equivalents	\$ 921,863	1,077,584	1,393,575
Fixed income	7,342,185	7,111,844	6,375,637
Equity	12,645,976	11,991,814	10,991,751
Other, primarily real estate related	531,886	688,183	743,296
Total investments	<u>21,441,910</u>	<u>20,869,425</u>	<u>19,504,259</u>
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	139,266	138,727	129,155
Interest and dividends	84,361	83,443	78,083
Other, primarily for securities sold (2)	355,347	118,250	70,368
Total receivables	<u>578,974</u>	<u>340,420</u>	<u>277,606</u>
Cash	641	2,535	1,516
Collateral held under securities lending agreements	3,558,132	2,922,697	2,545,892
Other, primarily furniture and equipment - net (3)	200,442	4,137	4,488
Total assets	<u>25,780,099</u>	<u>24,139,214</u>	<u>22,333,761</u>
LIABILITIES			
Liability to return collateral held under securities lending agreements	3,558,132	2,922,697	2,545,892
Payable for securities purchased (2)	708,903	420,348	372,900
Accounts payable and accrued expenses (4)	83,536	57,662	62,827
Deferred withdrawal liability receipts	64,731	65,759	55,813
Total liabilities	<u>4,415,302</u>	<u>3,466,466</u>	<u>3,037,432</u>
NET ASSETS (5)	<u>\$ 21,364,797</u>	<u>20,672,748</u>	<u>19,296,329</u>
Notes:			
(1) Allowance for uncollectible contributions:	\$ 2,565	2,883	1,238
(2) Net receivable (payable) on foreign currency exchange contracts:	\$ 21,167	(34,073)	(1,090)
(3) Includes timing for EFT funding and related withholdings:	\$ 194,878	0	0
(4) Includes a liability for 401(k) plan assets:	\$ 27,868	25,469	20,686
(5) Actuarial value of net assets (for withdrawal liability purposes):	\$ 21,126,000	20,122,000	19,126,000

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

	June		Six Months Ended June		Year Ended	
	2007	2006	2007	2006	2006	2005
Revenue:						
Contributions	\$ 136,173	104,206	699,371	626,908	1,358,334	1,279,175
Withdrawal liability	14,436	4,197	38,966	25,571	47,343	82,833
Total revenue	150,609	108,403	738,337	652,479	1,405,677	1,362,008
Benefits and expenses:						
Benefits to participants	219,576	215,497	1,313,231	1,287,850	2,586,385	2,535,044
General and administrative expenses	3,092	3,137	18,855	19,006	39,252	37,877
Total benefits and expenses	222,668	218,634	1,332,086	1,306,856	2,625,637	2,572,921
Decrease in net assets before net investment income(loss)	(72,059)	(110,231)	(593,749)	(654,377)	(1,219,960)	(1,210,913)
Investment income(loss):						
Interest, dividends and other	69,055	58,962	377,168	336,183	683,046	639,684
Realized and unrealized gain(loss) on investments, net	(252,433)	949	945,275	340,748	1,992,238	1,232,271
Investment expenses	(6,293)	(5,643)	(36,645)	(35,127)	(78,905)	(82,246)
Net investment income(loss)	(189,671)	54,268	1,285,798	641,804	2,596,379	1,789,709
Increase(Decrease) in net assets	(261,730)	(55,963)	692,049	(12,573)	1,376,419	578,796
NET ASSETS:						
Beginning of period	21,626,527	19,339,719	20,672,748	19,296,329	19,296,329	18,717,533
End of period	\$ 21,364,797	19,283,756	21,364,797	19,283,756	20,672,748	19,296,329

Note(s):

(1) Includes receipt of \$11.1 million from Consolidated Freightways.

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

	June		Six Months Ended June		Year Ended	
	2007	2006	2007	2006	2006	2005
Operations:						
Contributions	\$ 111,181	102,988	698,819	649,353	1,348,763	1,243,733
Benefits paid, net (1)(2)	(392,548)	(383,590)	(1,485,613)	(1,455,471)	(2,586,347)	(2,535,995)
	(281,367)	(280,702)	(786,794)	(806,118)	(1,237,584)	(1,292,262)
Payroll						
Employee benefits	(1,443)	(1,413)	(7,657)	(7,554)	(15,667)	(15,380)
Fees and services	(494)	(473)	(3,237)	(3,122)	(6,457)	(6,287)
Rent	(340)	(208)	(1,832)	(2,166)	(3,802)	(4,316)
Office	(209)	(346)	(612)	4	(2,086)	(3,669)
Withdrawal liability receipts	(309)	(287)	(6,689)	(6,446)	(9,048)	(6,906)
Other	14,456	4,476	35,858	26,622	53,173	97,269
	(821)	(695)	(1,004)	(1,602)	(1,83)	(1,988)
Net from operations	10,840	1,054	14,827	5,736	15,930	58,723
	(270,527)	(279,648)	(771,967)	(800,382)	(1,221,654)	(1,233,539)
Investments:						
Net sales(purchases)	202,300	221,983	426,650	507,873	631,377	662,868
Interest and dividends	76,485	62,394	378,332	337,752	681,811	638,645
Management fees	(8,310)	(5,872)	(34,909)	(46,483)	(90,515)	(66,658)
Net from investments	270,475	278,505	770,073	799,142	1,222,673	1,234,855
Increase(Decrease) in cash	(52)	(1,143)	(1,894)	(1,240)	1,019	1,316
Cash:						
Beginning of period	693	1,419	2,535	1,516	1,516	200
End of period	\$ 641	276	641	276	2,535	1,516

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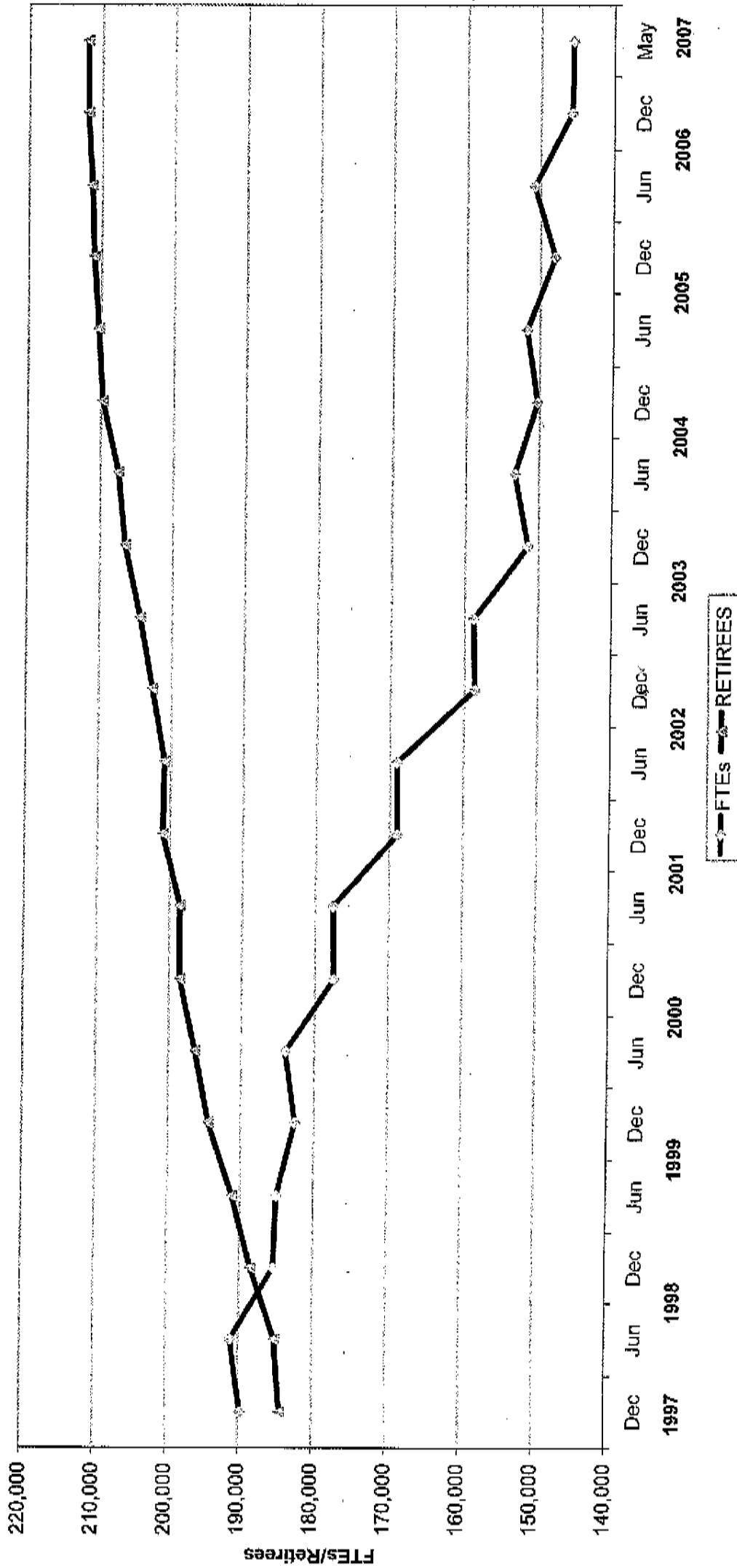
Note(s):

- (1) Includes increase(decrease) in overdraft: \$ 105 (219)
- (2) Includes timing for EFT funding: \$ 173,076 167,974
- (3) Includes \$1.4 million rebate from Duke Realty.
- (4) Includes \$2.2 million rebate from Duke Realty.
- (5) Includes increase in PBGC premium.
- (6) Includes receipt of \$11.1 million from Consolidated Freightways.

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Central States Pension Fund

Full Time Equivalents vs. Retirees
December 1997 Through May 2007



Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Position
 June 30, 2007
 (Dollar amounts in thousands)

	June 30, 2007	December 31, 2006	Change in Net Assets	
			Dollars	Percentage
Total investments, net	\$ 1,073,661	1,010,410	63,251	7.0
Employer contributions receivable, net	105,108	102,910	2,198	0.2
Collateral held under securities lending agreements	384,259	358,866	25,393	2.8
Other assets	13,298	17,088	(3,790)	(0.4)
Total assets	1,576,326	1,489,274	87,052	9.6
Estimated benefits	192,051	200,170	8,119	0.9
Liability to return collateral held under securities lending agreements	384,259	358,866	(25,393)	(2.8)
Other liabilities	31,346	22,259	(9,087)	(1.0)
Total liabilities	607,656	581,295	(26,361)	(2.9)
NET ASSETS	\$ 968,670	907,979	60,691	6.7

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Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations

June 30, 2007

(Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		Commentary
	2007	2006	Dollars	Percentage	
INCOME & EXPENSES					
Contributions	\$ 569,866	532,280	37,586	7.1	Contributions - Primarily an extra billing week in 2007 combined with increased FTEs.
Benefits	508,341	471,298	(37,043)	(7.9)	
TeamCare administrative fees	14,520	13,504	(1,016)	(7.5)	Benefits - Primarily increased health care costs.
General and administrative expenses	18,894	18,489	(405)	(2.2)	Net investment income(loss) - Primarily \$15,769 favorable change in realized/unrealized gain(loss) combined with \$5,462 more interest and dividend income.
Increase in net assets before net investment income(loss)	28,111	28,989	(878)	N/A	
Net investment income(loss)	32,580	11,386	21,194	N/A	
Increase in net assets	\$ 60,691	40,375	20,316	N/A	

OPERATING STATISTICS

Benefits paid to contributions	90.6 %	89.7 %
General and administrative expenses to:		
Contributions	3.3 %	3.5 %
Benefits paid	3.7 %	3.9 %
Five months average FTEs	94,960	91,707
Contributions per average FTE	\$ 6,001	5,804
Benefits paid per average FTE	\$ 5,439	5,205

Executive Summary of Current and Projected Operations

June 30, 2007

(Dollar amounts in thousands)

	June 2007		Variance	
	Actual	Projection	Favorable/(Unfavorable) Dollars	Percentage
Contributions	\$ 111,355	109,100	2,255	2.1
Benefits	79,664	88,200	8,536	9.7
TeamCare administrative fees	2,449	2,400	(49)	(2.0)
General and administrative expenses	3,198	3,200	2	0.1
Increase in net assets before net investment income (loss)	26,044	15,300	10,744	N/A
Net investment income (loss)	(2,243)	4,400	(6,643)	N/A
Increase in net assets	\$ 23,801	19,700	4,101	N/A

	Actual through June 2007	July 2007	Projection		Year Ending December 2007
			Remainder of 2007	Assumptions Used in 2007 Projections	
Contributions	\$ 569,866	85,500	477,434	Contributions - Trended FTEs.	1,132,800
Benefits	508,341	91,000	399,859	Benefits - Overall cost increase of 7% per FTE.	999,200
TeamCare administrative fees	14,520	2,400	11,880	General and administrative expenses - Actual expenses to date plus 2% increase over 2006 expenses for the remaining months.	28,800
General and administrative expenses	18,894	3,200	15,906		38,000
Increase (Decrease) in net assets before net investment income (loss)	28,111	(11,100)	49,789	Investment income - Actual return earned to date plus remaining months annualized return of 5%.	66,800
Net investment income (loss)	32,580	4,500	22,520		59,600
Increase (Decrease) in net assets	\$ 60,691	(6,600)	72,309		126,400

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

	December 31,	
ASSETS	2006	2005
Investments:		
United States government and government agency debt	527,769	410,337
Corporate debt	260,830	245,519
Common stock index fund	258,457	215,706
Total investments	1,047,056	871,562
Receivables:		
Employer contributions, less allowance for uncollectible contributions (1)	105,108	100,871
Other, primarily investment related	10,159	12,062
Total receivables	115,267	112,933
Cash	900	221
Collateral held under securities lending agreements	384,259	289,383
Other, primarily furniture and equipment - net	2,239	2,389
Total assets	1,606,849	1,276,488
LIABILITIES		
Estimated benefits (2)	192,051	210,082
Liability to return collateral held under securities lending agreements	384,259	289,383
Checks drawn against future deposits	8,774	9,493
Payable for securities purchased	30,523	31,657
Accounts payable and accrued expenses	22,572	15,000
Total liabilities	638,179	555,615
NET ASSETS	\$ 968,670	720,873

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Note(s):

- (1) Allowance for uncollectible contributions: \$ 1,840
- (2) Includes estimated claims liability adjustments: \$ 0

1,610
(9,912)

383
(5,088)

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

	June		Six Months Ended June		Year Ended	
	2007	2006	2007	2006	2006	2005
Contributions	\$ 111,355	87,326	569,866	532,280	1,117,315	1,109,324
Benefits and expenses:						
Benefits paid	79,664	74,864	516,460	477,298	940,616	935,576
Changes to liabilities for benefits	0	0	(8,119)	(6,000)	(9,912)	(6,618)
TeamCare administrative fees	2,449	2,262	14,520	13,504	27,406	23,416
General and administrative expenses	3,198	3,090	18,894	18,489	37,565	38,297
Total benefits and expenses	85,311	80,216	541,755	503,291	995,675	990,671
Increase in net assets before net investment income (loss)	26,044	7,110	28,111	28,989	121,640	118,653
Investment income (loss):						
Interest and dividends	4,362	3,274	22,990	17,528	38,209	27,991
Realized and unrealized gain (loss) on investments, net	(6,564)	(863)	9,826	(5,943)	27,678	(2,471)
Investment expenses	(41)	(35)	(236)	(199)	(421)	(358)
Net investment income (loss)	(2,243)	2,376	32,580	11,386	65,466	25,162
Increase in net assets	23,801	9,486	60,691	40,375	187,106	143,815
NET ASSETS:						
Beginning of period	944,869	751,762	907,979	720,873	720,873	577,058
End of period	\$ 968,670	761,248	968,670	761,248	907,979	720,873

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

	June		Six Months Ended June		Year Ended	
	2007	2006	2007	2006	2006	2005
Operations:						
Contributions	\$ 90,792	86,885	567,933	550,264	1,113,531	1,091,360
Benefits paid, net (1)	(71,796)	(68,289)	(504,087)	(470,002)	(941,786)	(927,668)
	18,996	18,596	63,846	80,262	171,745	163,692
Payroll	(1,681)	(1,758)	(9,305)	(9,637)	(19,745)	(19,762)
Employee benefits	(607)	(598)	(4,048)	(3,931)	(8,070)	(7,916)
Fees and services (primarily Teamcare)	(2,616)	(2,369)	(15,430)	(14,257)	(29,032)	(25,365)
Rent	(224)	(291)	(745) (2)	(477) (3)	(2,230) (3)	(3,227)
Office	(408)	(340)	(3,034)	(2,474)	(4,853)	(5,416)
Other	389	784	573	46	(963)	249
	(5,147)	(4,572)	(31,989)	(30,730)	(64,893)	(61,437)
Net from operations	13,849	14,024	31,857	49,532	106,852	102,255
Net (to) from investments	(13,230)	(14,501)	(31,827)	(49,426)	(106,203)	(102,121)
Increase (Decrease) in cash	619	(477)	30	106	649	134
Cash:						
Beginning of period	281	804	870	221	221	87
End of period	900	327	900	327	870	221
	\$					
		(1,502)	1,991	(968)	(2,710)	1,631

Note (s):

- (1) Includes increase (decrease) in overdraft of:
- (2) Includes \$805 rebate from Duke Realty.
- (3) Includes \$1.3 million rebate from Duke Realty.

* 4

Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 1997 Through May 2007

