

CENTRAL STATES FUNDS

FINANCIAL AND ANALYTICAL INFORMATION

JUNE 30, 2008

TRUSTEE MEETING OF JULY 15, 2008

Financial Report FR

PENSION FUND

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FINANCIAL REPORT
June 30, 2008 and the Six Months Then Ended

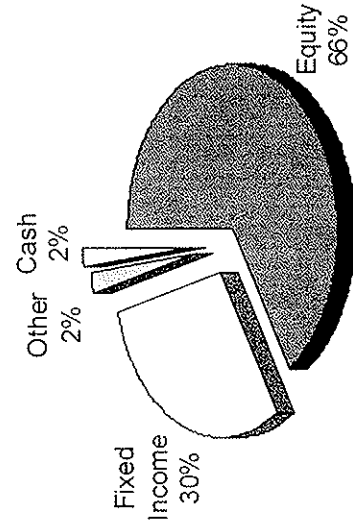
HIGHLIGHTS

PENSION FUND:

- Net assets decreased \$1.7 billion during June resulting in a month end balance of \$23.7 billion.
- Projected 12/31/2008 net asset balances based on various annualized rates of return on investment assets for the remainder of the year (dollars in thousands):

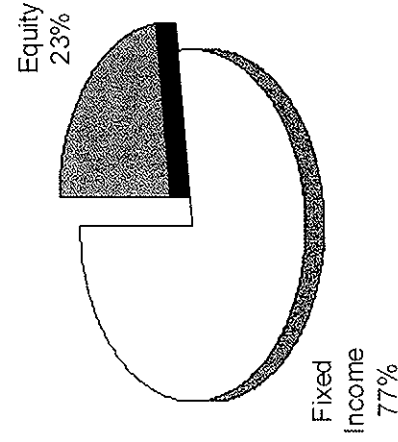
	4%		8%		12%
Net Assets at 12/31/2008		\$ 23,326,300	23,801,600	24,284,800	

- Investment asset allocation as of June 30, 2008:



HEALTH AND WELFARE FUND:

- Net assets decreased \$14.6 million during June resulting in a month end balance of \$1.1 billion.
- Investment asset allocation as of June 30, 2008:



FINANCIAL REPORT
June 30, 2008 and the Six Months Then Ended
(Dollars in Thousands)

PENSION FUND:

1. Net assets were \$23,742,484 at June 30, 2008, compared to \$26,805,847 at December 31, 2007, a decrease of \$3,063,363 compared to an increase of \$692,049 for the same period last year.

The \$3,755,412 difference is due to \$3,441,729 less investment income:

- (\$3,458,541) **unfavorable** change in net realized and unrealized gain (loss),
- \$14,324 **more** interest and dividends and
- \$2,488 **less** investment expenses,

combined with \$313,683 **more** net operating loss.

2. Projected 2008 investment loss, decrease 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 Loss	\$ (1,688,600)	(1,213,300)	(730,100)
Decrease in Net Assets	(3,479,500)	(3,004,200)	(2,521,000)
Net Assets at 12/31/08	23,326,300	23,801,600	24,284,800

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

	Memberships	Retirees
As of:		
May 2008	94,307	211,963
December 2007	140,258	212,452

Five-month average:

May 2008	92,854	212,357
May 2007	144,273	212,021
% increase (decrease)	(35.64)%	0.16%

4. For the six months ended June 2008, the Fund's net asset decrease from operations (before investment income) was \$907,432 compared to a decrease \$593,749 for the same period in 2007, or a \$313,683 **unfavorable** change:

- (\$287,357) **less** contributions, primarily due to UPS withdrawal,
- (\$26,137) **more** benefits paid, primarily an increase in average monthly benefits and
- (\$189) **more** general and administrative expenses.

5. During the six months ended June 2008 and 2007, the Fund withdrew \$839,864 and \$770,000, respectively, from investment assets to fund the cash operating deficit.

HEALTH AND WELFARE FUND:

1. Net assets were \$1,104,225 at June 30, 2008, compared to \$1,083,559 at December 31, 2007, an increase of \$20,666 compared to an increase of \$60,691 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 2008	94,892	14,152
December 2007	96,239	15,065
Five-month average:		
May 2008	94,979	14,623
May 2007	95,113	16,643
% increase (decrease)	(0.14)%	(12.14)%

3. For the six months ended June 2008, the Fund's net asset increase before investment income was \$41,102 compared to an increase of \$28,111 for the same period in 2007, or a \$12,991 **favorable** change:

- \$9,749 **more** contributions,
- \$3,692 **less** benefits,
- (\$201) **more** TeamCare administrative fees and
- (\$249) **more** general and administrative expenses.

4. For the six months ended June 2008, net investment income was \$53,016 **less** than for the same period last year. The decrease results primarily from \$53,876 unfavorable change in realized and unrealized gain (loss) offset by \$900 more interest and dividend income.

5. During the six months ended June 2008 and 2007, the Fund transferred \$72,486 and \$31,844, 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, 2008
 (Dollar amounts in thousands)

	June 30, 2008	December 31, 2007	Change in Net Assets	Commentary
Investments			Dollars	
Cash equivalents	1,353,764	6,021,079	(4,667,315)	(17.4)
Fixed income	7,444,573	8,374,416	(929,843)	(3.5)
Equity	14,456,945	14,370,578	86,367	0.3
Other	411,988	426,825	(14,837)	-
Total investments	23,667,270	29,192,898	(5,525,628)	(20.6)
Investment related assets	3,450,375	3,816,176	(365,801)	(1.4)
Employer contributions receivable, net	72,930	143,451	(70,521)	(0.2)
Other assets	5,835	3,346	2,489	-
Total assets	27,196,410	33,155,871	(5,959,461)	(22.2)
Investment related liabilities	3,346,787	6,240,816	2,894,029	10.8
Other liabilities	107,139	109,208	2,069	-
Total liabilities	3,453,926	6,350,024	2,896,098	10.8
NET ASSETS	\$ 23,742,484	26,805,847	(3,063,363)	(11.4)

Investments and related assets and liabilities - See Named Fiduciary monthly management reports.
 Employer contributions receivable, net - UPS withdrawal combined with four week versus five week billing period for June 2008 and December 2007, respectively.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Operations
 June 30, 2008
 (Tabular dollar amounts in thousands)

	2008	2007	Change from Prior Year	Commentary
	Year-to-Date	Year-to-Date	Percentage	
INCOME & EXPENSES				
Contributions (includes W/L)	\$ 450,980	738,337	(287,357)	(38.9)
Benefits	1,339,368	1,313,231	(26,137)	(2.0)
General and administrative expenses	19,044	18,855	(189)	(1.0)
Decrease in net assets before net investment income(loss)	(907,432)	(593,749)	(313,683)	N/A
Net investment income(loss)	(2,155,931)	1,285,798	(3,441,729)	N/A
Increase(Decrease) in net assets	\$ (3,063,363)	692,049	(3,755,412)	N/A
OPERATING STATISTICS				
Benefits to contributions	297.0 %	177.9 %		
General and administrative expenses to: Contributions	4.2 %	2.6 %		
Benefits	1.4 %	1.4 %		
Five month average FTEs	92,854	144,273		
Pensioners and beneficiaries - current month	211,944	212,147		
Current month average benefit per pensioner and beneficiary	\$ 1,047	1,030		

Contributions - Primarily due to UPS withdrawal.
 Benefits - Primarily an increase in average monthly benefits.
 General and administrative expenses - See Named Fiduciary monthly management reports.

Central States, Southeast and Southwest Areas Pension Fund

Statement of Net Assets

(In thousands)

	June 30, 2008	December 31, 2007	December 31, 2006
ASSETS			
Investments:			
Cash equivalents	\$ 1,353,764	6,021,079	1,077,584
Fixed income	7,444,573	8,374,416	7,111,844
Equity	14,456,945	14,370,578	11,991,814
Other, primarily real estate related	411,988	426,825	688,183
Total investments	23,667,270	29,192,898	20,869,425
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	72,930	143,451	138,727
Interest and dividends	90,520	97,726	83,443
Other, primarily for securities sold (2)	517,235	676,843	118,250
Total receivables	680,685	918,020	340,420
Cash	1,311	441	2,535
Collateral held under securities lending agreements	2,842,620	3,041,607	2,922,697
Other, primarily furniture and equipment - net	4,524	2,905	4,137
Total assets	27,196,410	33,155,871	24,139,214
LIABILITIES			
Liability to return collateral held under securities lending agreements	2,842,620	3,041,607	2,922,697
Payable for securities purchased (2)	479,993	3,177,451	420,348
Accounts payable and accrued expenses (3)	60,391	61,581	57,662
Deferred withdrawal liability receipts	70,922	69,385	65,759
Total liabilities	3,453,926	6,350,024	3,466,466
NET ASSETS	\$ 23,742,484	26,805,847	20,672,748

Note(s):
 (1) Allowance for uncollectible contributions:
 (2) Net receivable (payable) on foreign currency exchange contracts:
 (3) Includes a liability for 401(h) plan assets:

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

	June		Six Months Ended June		Year Ended	
	2008	2007	2008	2007	2007	2006
Revenue:						
Contributions	\$ 69,581	136,173	419,650	699,371	1,440,300	1,358,334
Withdrawal liability	6,898	14,436	31,330	38,966	6,187,750	47,343
Total revenue	76,479	150,609	450,980	738,337	7,628,050	1,405,677
Benefits and expenses:						
Benefits to participants	223,251	219,576	1,339,368	1,313,231	2,639,158	2,586,385
General and administrative expenses	2,969	3,092	19,044	18,855	38,205	39,252
Total benefits and expenses	226,220	222,668	1,358,412	1,332,086	2,677,363	2,625,637
Increase(Decrease) in net assets before net investment income(loss)	(149,741)	(72,059)	(907,432)	(593,749)	4,950,687	(1,219,960)
Investment income(loss):						
Interest, dividends and other	63,466	69,055	391,492	377,168	727,549	683,046
Realized and unrealized gain(loss)	(1,607,988)	(252,433)	(2,513,266)	945,275	534,549	1,992,238
on investments, net	(4,776)	(6,293)	(34,157)	(36,645)	(79,686)	(78,905)
Investment expenses	(1,549,298)	(189,671)	(2,155,931)	1,285,798	1,182,412	2,596,379
Net investment income(loss)	(1,699,039)	(261,730)	(3,063,363)	692,049	6,133,099	1,376,419
Increase(Decrease) in net assets	(1,635,573)	(330,785)	(3,654,855)	(261,700)	7,083,788	2,752,838
NET ASSETS:						
Beginning of period	25,441,523	21,626,527	26,805,847	20,672,748	20,672,748	19,296,329
End of period	\$ 23,742,484	21,364,797	23,742,484	21,364,797	26,805,847	20,672,748

Note(s):
(1) Includes receipt of \$6.1 billion from UPS.

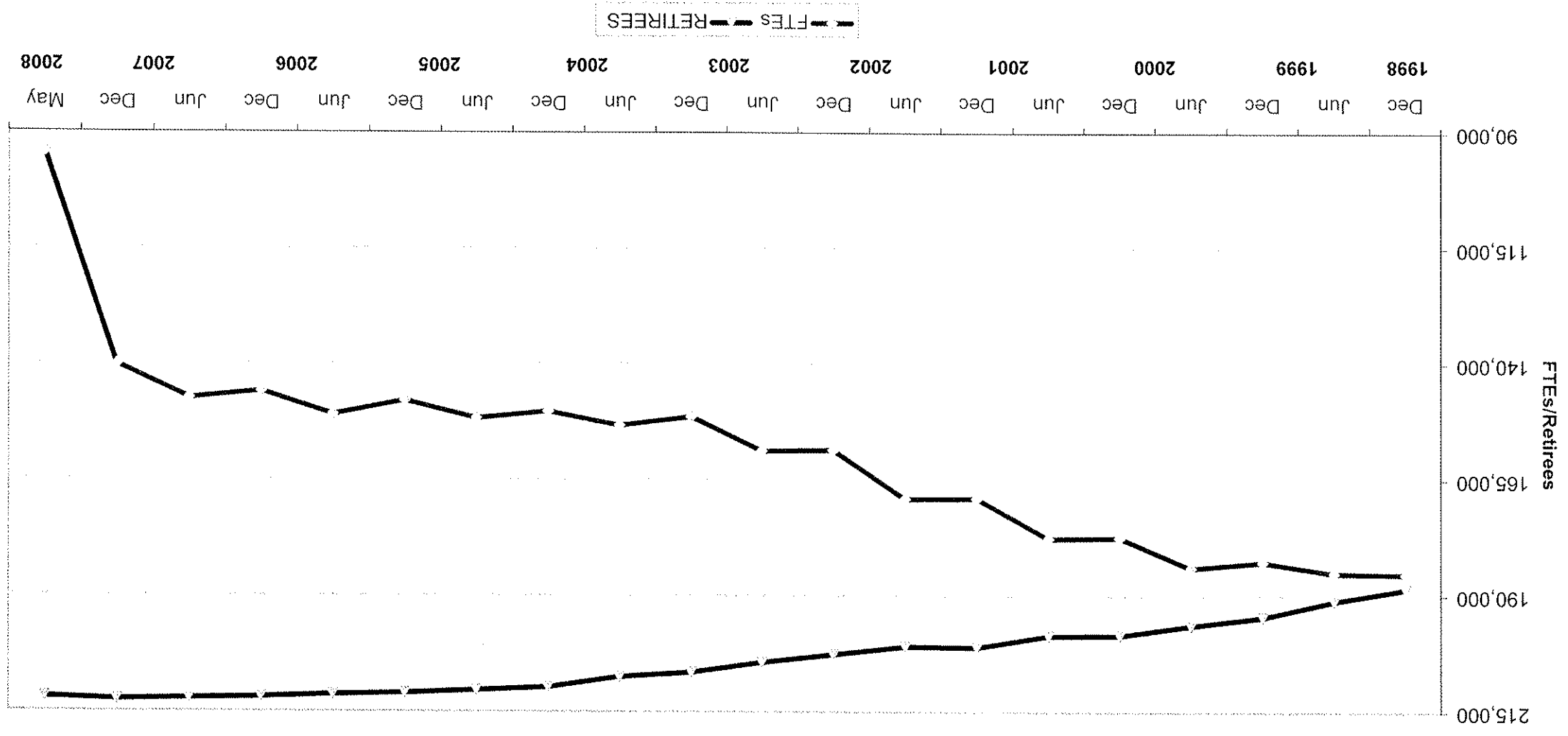
Central States, Southeast and Southwest Areas Pension Fund
Statement of Cash Receipts and Disbursements
(In thousands)

	2008		2007		2006	
	June		Six Months Ended June		Year Ended	
Operations:						
Contributions	\$ 81,935	\$ 111,181	490,190	698,819	1,435,555	1,348,763
Benefits paid, net (1) (2)	(46,053)	(392,548)	(1,338,766)	(1,485,613)	(2,639,128)	(2,586,347)
	35,882	(281,367)	(848,576)	(786,794)	(1,203,573)	(1,237,584)
Payroll	(1,169)	(1,443)	(7,854)	(7,657)	(16,002)	(15,667)
Employee benefits	(621)	(494)	(3,471)	(3,237)	(6,666)	(6,457)
Fees and services	(206)	(340)	(1,917)	(1,832)	(3,565)	(3,802)
Rent (3)	(219)	(209)	(1,267)	(612)	(1,871)	(2,086)
Office	(317)	(309)	(6,493)	(6,689)	(8,648)	(9,048)
Withdrawal liability receipts	966	(821)	32,117	35,858	6,187,064	53,173
Other	3,213	14,456	(2,134)	(1,004)	1,429	(183)
	1,647	10,840	8,981	14,827	6,151,741	15,930
Net from operations	37,529	(270,527)	(839,595)	(771,967)	4,948,168	(1,221,654)
Investments:						
Net sales (purchases)	(100,261)	202,300	472,738	426,650	(5,587,360)	631,377
Interest and dividends	67,722	76,485	399,448	378,332	718,456	681,811
Management fees	(4,894)	(8,310)	(31,721)	(34,909)	(81,358)	(90,515)
Net from investments	(37,433)	270,475	840,465	770,073	(4,950,262)	1,222,673
Increase (Decrease) in cash	96	(52)	870	(1,894)	(2,094)	1,019
Cash:						
Beginning of period	1,215	693	441	2,535	2,535	1,516
End of period	\$ 1,311	641	1,311	641	441	2,535
Note(s):						
(1) Includes increase in overdraft:	\$ 12	105	600	695	29	38
(2) Includes timing for EFT funding:	\$ 177,185	(173,076)	0	(173,076)	0	0
(3) Includes rebate from Duke Realty:	\$ 0	0	0	1,438	1,438	2,170
(4) Includes receipt of \$6.1 billion from UPS:	\$ 0	0	0	0	0	0

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Central States Pension Fund

Full Time Equivalents vs. Retirees
December 1998 Through May 2008



Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Position
 June 30, 2008
 (Dollar amounts in thousands)

	June 30, 2008	December 31, 2007	Dollars	Change in Net Assets	Percentage
Total investments, net	\$ 1,220,341	1,168,951	51,390	4.8	
Employer contributions receivable, net	87,534	109,091	(21,557)	(2.0)	
Collateral held under securities lending agreements	365,499	343,373	22,126	2.0	
Other assets	14,306	22,736	(8,430)	(0.8)	
Total assets	1,687,680	1,644,151	43,529	4.0	
Estimated benefits	191,038	196,300	5,262	0.5	
Liability to return collateral held under securities lending agreements	365,499	343,373	22,126	(2.0)	
Other liabilities	26,918	20,919	(5,999)	(0.6)	
Total liabilities	583,455	560,592	(22,863)	(2.1)	
NET ASSETS	\$ 1,104,225	1,083,559	20,666	1.9	

Commentary

Employer contributions receivable, net - primarily a four week billing period for June 2008 compared to a five week billing period for December 2007.

Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations
 June 30, 2008
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year
	2008	2007	
<u>INCOME & EXPENSES</u>			
Contributions	\$ 579,615	569,866	9,749
Benefits	504,649	508,341	3,692
TeamCare administrative fees	14,721	14,520	(201)
General and administrative expenses	19,143	18,894	(249)
Increase in net assets	41,102	28,111	12,991
Increase in net investment income (loss)			N/A
Net investment income (loss)	(20,436)	32,580	(53,016)
Increase in net assets	\$ 20,666	60,691	(40,025)

Net investment income (loss) - primarily \$53,876 unfavorable change in realized/unrealized gain (loss), offset by \$900 more interest and dividend income.

Commentary

OPERATING STATISTICS

Benefits paid to contributions	88.0 %	90.6 %
General and administrative expenses to:		
Contributions	3.3 %	3.3 %
Benefits paid	3.8 %	3.7 %
Five months average FTEs	94,979	95,113
Contributions per average FTE	\$ 6,103	5,991
Benefits paid per average FTE	\$ 5,369	5,430

Variance	June 2008		Projection	Favorable/(Unfavorable) Dollars	Percentage
	Actual	Projection			
Contributions	\$ 91,059	92,500	(1,441)		(1.6)
Benefits	76,334	86,000	9,666		11.2
TeamCare administrative fees	2,410	2,500	90		3.6
General and administrative expenses	3,069	3,300	231		7.0
Increase in net assets	9,246	700	8,546		N/A
before net investment income(loss)					
Net investment income(loss)	(23,837)	5,100	(28,937)		N/A
Increase(Decrease) in net assets	\$ (14,591)	5,800	(20,391)		N/A
Contributions	\$ 579,615	92,300	538,585		1,210,500
Benefits	504,649	88,400	443,351		1,036,400
TeamCare administrative fees	14,721	2,500	12,479		29,700
General and administrative expenses	19,143	3,300	16,257		38,700
Increase(Decrease) in net assets	41,102	(1,900)	66,498		105,700
before net investment income(loss)					
Net investment income(loss)	(20,436)	5,100	25,736		10,400
Increase in net assets	\$ 20,666	3,200	92,234		116,100

Assumptions Used in 2008 Projections

Contributions - Scheduled contract rate increases and trended FTEs.

Benefits - Overall cost increase of 7% per FTE.

General and administrative expenses - Actual expenses to date plus 2% increase over 2007 expenses for the remaining months.

Investment income - Actual return earned to date plus remaining months annualized return of 5%.

Central States, Southeast and Southwest Areas Health and Welfare Fund

Statement of Net Assets

(In thousands)

	June 30, 2008	2007	December 31, 2006
ASSETS			
Investments:			
United States government and government agency debt	\$ 705,462	555,089	527,769
Corporate debt	229,367	352,755	260,830
Common stock index fund	301,512	293,770	258,457
Total investments	1,236,341	1,201,614	1,047,056
Receivables:			
Employer contributions, less allowance for uncollectible contributions (1)	87,534	109,091	102,910
Other, primarily investment related	11,974	20,419	13,833
Total receivables	99,508	129,510	116,743
Cash	649	221	870
Collateral held under securities lending agreements	365,499	343,373	358,866
Other, primarily furniture and equipment - net	1,683	2,096	2,439
Total assets	1,703,680	1,676,814	1,525,974
LIABILITIES			
Estimated benefits (2)	191,038	196,300	200,170
Liability to return collateral held under securities lending agreements	365,499	343,373	358,866
Checks drawn against future deposits	6,411	5,303	6,783
Payable for securities purchased	16,000	32,663	36,700
Accounts payable and accrued expenses	20,507	15,616	15,476
Total liabilities	599,455	593,255	617,995
NET ASSETS	\$ 1,104,225	1,083,559	907,979

Note(s):

(1) Allowance for uncollectible contributions: (2) Includes estimated claims liability adjustments:

\$ 1,303	1,111	1,610
\$ 0	(2,700)	(9,912)

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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
	2008	2007	2006
Contributions	\$ 91,059	579,615	1,117,315
Benefits and expenses:			
Benefits paid	76,334	509,911	1,000,498
Changes to liabilities for benefits	0	(5,262)	(9,912)
TeamCare administrative fees	2,410	14,721	27,406
General and administrative expenses	3,069	19,143	37,565
Total benefits and expenses	81,813	538,513	995,675
Increase in net assets before net investment income(loss)	9,246	41,102	121,640
Investment income(loss):			
Interest and dividends	3,925	23,890	38,209
Realized and unrealized gain(loss)	(27,713)	(44,050)	27,678
on investments, net			
Investment expenses	(49)	(276)	(421)
Net investment income(loss)	(23,837)	(20,436)	65,466
Increase(Decrease) in net assets	(14,591)	20,666	187,106
NET ASSETS:			
Beginning of period	1,118,816	1,083,559	720,873
End of period	\$ 1,104,225	1,104,225	907,979

Central States, Southeast and Southwest Areas Health and Welfare Fund

Statement of Cash Receipts and Disbursements

(In thousands)

	2008	2007	2008	2007	2008	2007
Operations:						
Contributions	\$ 109,859	\$ 90,792	602,581	567,933	1,161,124	1,113,531
Benefits paid, net(1)	(75,339)	(71,796)	(496,840)	(504,087)	(1,006,124)	(941,786)
Payroll	(1,404)	(1,681)	(9,482)	(9,305)	(19,398)	(19,745)
Employee benefits	(755)	(607)	(4,238)	(4,048)	(8,268)	(8,070)
Fees and services (primarily Teamcare)	(2,582)	(2,616)	(15,811)	(15,430)	(31,367)	(29,032)
Rent(2)	(233)	(224)	(1,355)	(745)	(2,091)	(2,230)
Office	(373)	(408)	(2,448)	(3,034)	(5,402)	(4,853)
Other	(217)	389	422	573	(259)	(963)
Net from operations	(5,564)	(5,147)	(32,912)	(31,989)	(66,785)	(64,893)
Net (to) from investments	(29,112)	(13,230)	(72,401)	(31,827)	(88,864)	(106,203)
Increase (Decrease) in cash	(156)	619	428	30	(649)	649
Cash:						
Beginning of period	805	281	221	870	870	221
End of period	\$ 649	\$ 900	649	900	221	870

Note(s):
 (1) Includes increase (decrease) in overdraft of:
 (2) Includes rebate from Duke Realty:

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Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 1998 Through May 2008

