

CENTRAL STATES FUNDS
FINANCIAL AND ANALYTICAL INFORMATION
DECEMBER 31, 2008
TRUSTEE MEETING OF JANUARY 13, 2009

Financial Report FR

PENSION FUND

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FINANCIAL REPORT
December 31, 2008 and the Twelve Months Then Ended

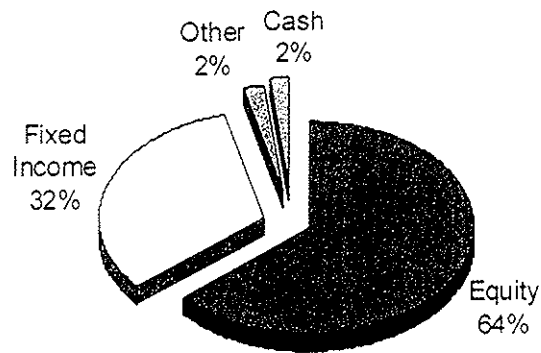
HIGHLIGHTS

PENSION FUND:

- Net assets increased \$411 million during December resulting in a month end balance of \$17.3 billion.
- Projected 12/31/2009 net asset balances based on various annualized rates of return on investment assets for the remainder of the year (dollars in thousands):

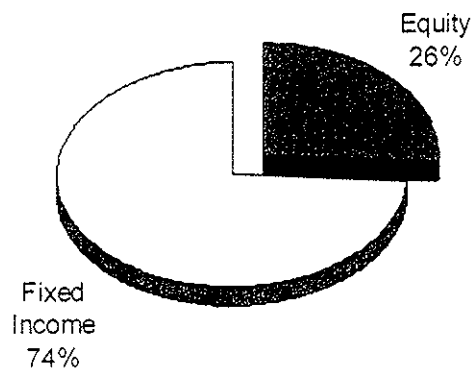
	4%	8%	12%
Net Assets at 12/31/2009	\$ 16,164,800	16,854,600	17,570,200

- Investment asset allocation as of December 31, 2008:



HEALTH AND WELFARE FUND:

- Net assets increased \$23.2 million during December resulting in a month end balance of \$1.1 billion.
- Investment asset allocation as of December 31, 2008:



FINANCIAL REPORT
December 31, 2008 and the Twelve Months Then Ended
(Dollars in Thousands)

PENSION FUND:

1. Net assets were \$17,342,175 at December 31, 2008, compared to \$26,805,847 at December 31, 2007, a decrease of \$9,463,672 compared to an increase of \$6,133,099 for the same period last year.

The \$15,596,771 difference is due to \$8,864,244 less investment income:

- (\$8,856,507) **unfavorable** change in net realized and unrealized gain (loss),
- \$18,537 less interest and dividends and
- \$10,800 less investment expenses,

combined with \$6,732,527 less net operating gain.

2. Projected 2009 investment income, increase (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 Income	\$ 664,300	1,354,100	2,069,700
Increase(Decrease) in Net Assets	(1,177,400)	(487,600)	228,000
Net Assets at 12/31/09	16,164,800	16,854,600	17,570,200

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

	Memberships	Retirees
As of:		
November 2008	88,231	212,321
December 2007	140,443	212,452
Eleven-month average:		
November 2008	93,411	212,247
November 2007	145,599	212,181
% increase (decrease)	(35.84)%	0.03%

4. For the twelve months ended December 2008, the Fund's net asset decrease from operations (before investment income) was \$1,781,840 compared to an increase \$4,950,687 for the same period in 2007, or a \$6,732,527 **unfavorable** change:
 - (\$6,686,476) less contributions, primarily due to UPS withdrawal liability settlement received in December 2007, combined with lost UPS contributions in 2008,
 - (\$46,292) more benefits paid, primarily an increase in average monthly benefits, and
 - \$241 less general and administrative expenses.
5. During the twelve months ended December 2008 and 2007, the Fund withdrew \$1,714,842 and \$1,148,676 (not including UPS funds), respectively, from investment assets to fund the cash operating deficit.

HEALTH AND WELFARE FUND:

1. Net assets were \$1,096,845 at December 31, 2008, compared to \$1,083,559 at December 31, 2007, an increase of \$13,286 compared to an increase of \$175,580 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:		
November 2008	92,695	13,399
December 2007	96,255	15,054
Eleven-month average:		
November 2008	95,707	14,144
November 2007	96,828	16,115
% increase (decrease)	(1.16)%	(12.23)%

3. For the twelve months ended December 2008, the Fund's net asset increase before investment income was \$92,554 compared to an increase of \$104,826 for the same period in 2007, or a \$12,272 **unfavorable** change:

- \$21,414 **more** contributions, primarily due to an increase in contribution rates, offset by decreased FTEs,
- (\$33,120) **more** benefits,
- (\$563) **more** TeamCare administrative fees and
- (\$3) **more** general and administrative expenses.

4. For the twelve months ended December 2008, net investment income was \$150,022 **less** than for the same period last year. The decrease results primarily from \$149,671 unfavorable change in realized and unrealized gain (loss) combined with \$334 less interest and dividend income.

5. During the twelve months ended December 2008 and 2007, the Fund transferred \$104,485 and \$88,924, 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
 December 31, 2008
 (Dollar amounts in thousands)

	December 31, 2008	December 31, 2007	Change in Net Assets		Commentary
			Dollars	Percentage	
Investments					
Cash equivalents	\$ 1,113,039	6,021,079	(4,908,040)	(18.3)	<u>Investments and related assets and liabilities</u> - See Named Fiduciary monthly management reports.
Fixed income	6,242,855	8,374,416	(2,131,561)	(8.0)	
Equity	9,696,732	14,370,578	(4,673,846)	(17.4)	
Other	323,882	426,825	(102,943)	(0.4)	
Total investments	17,376,508	29,192,898	(11,816,390)	(44.1)	<u>Employer contributions receivable, net</u> - Primarily due to UPS withdrawal combined with an extra billing week in December 2007.
Investment related assets	1,893,187	3,816,176	(1,922,989)	(7.2)	
Employer contributions receivable, net	70,284	143,451	(73,167)	(0.2)	
Other assets	11,119	3,346	7,773	-	
Total assets	19,351,098	33,155,871	(13,804,773)	(51.5)	
Investment related liabilities	1,904,896	6,240,816	4,335,920	16.2	
Other liabilities	104,027	109,208	5,181	-	
Total liabilities	2,008,923	6,350,024	4,341,101	16.2	
NET ASSETS	\$ 17,342,175	26,805,847	(9,463,672)	(35.3)	

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Financial Operations
 December 31, 2008
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		Commentary
	2008	(1) 2007	Dollars	Percentage	
<u>INCOME & EXPENSES</u>					
Contributions (includes W/L)	\$ 941,574	7,628,050	(6,686,476)	(87.7)	<u>Contributions</u> - Primarily due to UPS withdrawal liability settlement received in December 2007, combined with lost UPS contributions in 2008.
Benefits	2,685,450	2,639,158	(46,292)	(1.8)	
General and administrative expenses	37,964	38,205	241	0.6	<u>Benefits</u> - Primarily an increase in average monthly benefits.
Increase (Decrease) in net assets before net investment income (loss)	(1,781,840)	4,950,687	(6,732,527)	N/A	<u>Net investment income (loss)</u> - See Named Fiduciary monthly management reports.
Net investment income (loss)	(7,681,832)	1,182,412	(8,864,244)	N/A	
Increase (Decrease) in net assets	\$ (9,463,672)	6,133,099	(15,596,771)	N/A	

OPERATING STATISTICS

Benefits to contributions	285.2 %	34.6 %
General and administrative expenses to:		
Contributions	4.0 %	0.5 %
Benefits	1.4 %	1.4 %
Eleven month average FTEs	93,411	145,599
Pensioners and beneficiaries - current month	212,307	212,452
Current month average benefit per pensioner and beneficiary	\$ 1,054	1,039

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Pension Fund
 Executive Summary of Current and Projected Operations
 December 31, 2008
 (Dollar amounts in thousands)

	December 2008		Variance		Commentary
	Actual	Projection	Favorable (Unfavorable) Dollars	Percentage	
Contributions (includes W/L)	\$ 86,442	72,268	14,174	19.6	Contributions - Con-Way \$8 million and Ridewell \$4.6 million withdrawal liability receipts.
Benefits	224,228	225,278	1,050	0.5	
General and administrative expenses	3,451	3,287	(164)	(5.0)	
Decrease in net assets before net investment income (loss)	\$ (141,237)	(156,297)	15,060	N/A	

	Projection		Assumptions Used in 2009 Projection	
	January 2009	Remainder of 2009	Year Ending December 2009	
Contributions (includes W/L)	\$ 84,900	841,400	926,300	Contributions - Scheduled contract rate increases, no change in plan mix and \$36.9 million in estimated withdrawal liability income.
Benefits	224,700	2,504,600	2,729,300	
General and administrative expenses	3,200	35,500	38,700	Benefits - Increase in average monthly benefits.
Decrease in net assets before net investment income (loss)	\$ (143,000)	(1,698,700)	(1,841,700)	General and administrative expenses - A 2% increase over 2008.

The following table represents 2009 projected increase(decrease) in net assets and resulting year end net assets assuming various annualized rates of return on investment assets for the remainder of this year:

Projected increase(decrease) in net assets	\$ (1,177,400)	(487,600)	228,000
Projected net assets at 12/31/09	\$ 16,164,800	16,854,600	17,570,200
	4%	8%	12%

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

	December 31,	
	2008	2007
ASSETS		
Investments:		
Cash equivalents	\$ 1,113,039	6,021,079
Fixed income	6,242,855	8,374,416
Equity	9,696,732	14,370,578
Other, primarily real estate related	323,882	426,825
Total investments	17,376,508	29,192,898
Receivables:		
Employer contributions, less allowance for uncollectible contributions (2)	70,284	143,451
Interest and dividends	70,431	97,726
Other, primarily for securities sold (3)	259,946	676,843
Total receivables	400,661	918,020
Cash	8,992	441
Assets held under securities lending agreements	1,562,810	3,041,607
Other, primarily furniture and equipment - net	2,127	2,905
Total assets	19,351,098	33,155,871
LIABILITIES		
Liability to return collateral held under securities lending agreements	1,582,790	3,041,607
Payable for securities purchased (3)	307,429	3,177,451
Accounts payable and accrued expenses (4)	47,743	61,581
Deferred withdrawal liability receipts	70,961	69,385
Total liabilities	2,008,923	6,350,024
NET ASSETS		
	\$ 17,342,175	26,805,847

Note(s):

- (1) Does not include final year end adjustments.
- (2) Allowance for uncollectible contributions:
- (3) Net receivable (payable) on foreign currency exchange contracts:
- (4) Includes a liability for 401(h) plan assets:

	\$ 2,103	2,126
	\$ (15,376)	25,005
	\$ 20,762	28,521

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

	December		Year Ended	
	2008	(1) 2007	2008	(1) 2007
Revenue:				
Contributions	\$ 61,095	140,393	852,695	1,440,300
Withdrawal liability	25,347	6,104,515 (2)	88,879	6,187,750 (2)
Total revenue	<u>86,442</u>	<u>6,244,908</u>	<u>941,574</u>	<u>7,628,050</u>
Benefits and expenses:				
Benefits to participants	224,228	221,089	2,685,450	2,639,158
General and administrative expenses	3,451	3,837	37,964	38,205
Total benefits and expenses	<u>227,679</u>	<u>224,926</u>	<u>2,723,414</u>	<u>2,677,363</u>
Increase(Decrease) in net assets before net investment income(loss)	(141,237)	6,019,982	(1,781,840)	4,950,687
Investment income(loss):				
Interest, dividends and other	64,646	72,127	709,012	727,549
Realized and unrealized gain(loss) on investments, net	492,873	(225,190)	(8,321,958)	534,549
Investment expenses	(4,879)	(4,256)	(68,886)	(79,686)
Net investment income(loss)	<u>552,640</u>	<u>(157,319)</u>	<u>(7,681,832)</u>	<u>1,182,412</u>
Increase(Decrease) in net assets	411,403	5,862,663	(9,463,672)	6,133,099
NET ASSETS:				
Beginning of period	16,930,772	20,943,184	26,805,847	20,672,748
End of period	<u>\$ 17,342,175</u>	<u>26,805,847</u>	<u>17,342,175</u>	<u>26,805,847</u>

Note(s):

- (1) Does not include final year end adjustments.
- (2) Includes receipt of \$6.1 billion from UPS.

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

	December		Year Ended	
	2008	(1)	2008	(1)
Operations:				
Contributions	\$ 81,800	114,554	925,881	1,435,555
Benefits paid, net (2) (3)	(224,413)	(47,080)	(2,685,093)	(2,639,128)
	(142,613)	67,474	(1,759,212)	(1,203,573)
Payroll	(1,595)	(1,428)	(16,507)	(16,002)
Employee benefits	(755)	(555)	(7,157)	(6,666)
Fees and services	(578)	(305)	(3,365)	(3,565)
Rent (4)	(508)	(486)	(2,552)	(1,871)
Office	23,447	6,104,845 (5)	(8,364)	(8,648)
Withdrawal liability receipts	3,909	2,098	88,462	6,187,064 (5)
Other	23,707	6,103,960	1,404	1,429
	(118,906)	6,171,434	51,921	6,151,741
Net from operations			(1,707,291)	4,948,168
Investments:				
Net sales(purchases)	64,594	(6,232,558)	1,054,091	(5,587,360)
Interest and dividends	70,814	63,304	737,719	718,456
Management fees	(7,811)	(7,137)	(75,968)	(81,358)
Net from investments	127,597	(6,176,391)	1,715,842	(4,950,262)
Increase(Decrease) in cash	8,691	(4,957)	8,551	(2,094)
Cash:				
Beginning of period	301	5,398	441	2,535
End of period	\$ 8,992	441	8,992	441

NOTE(S):

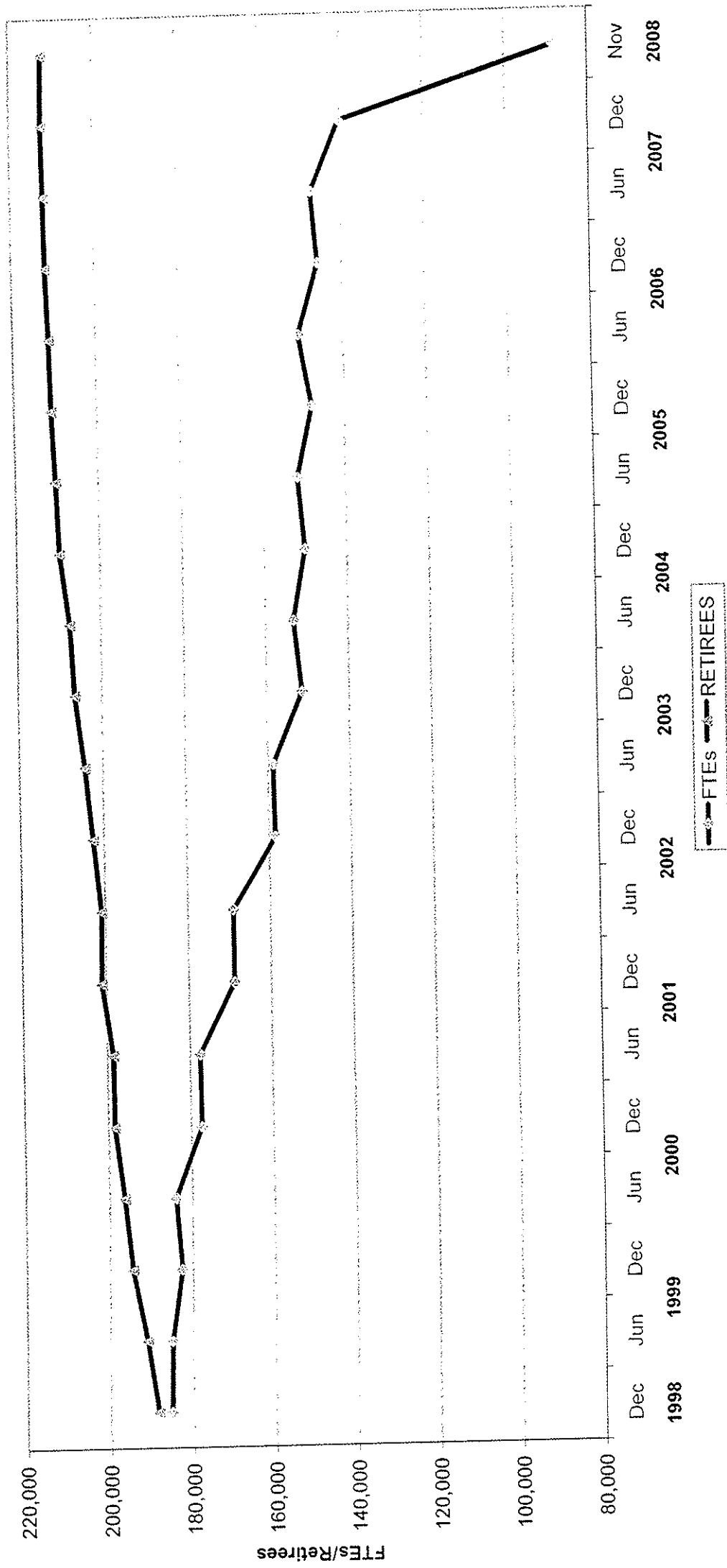
- (1) Does not include final year end adjustments.
- (2) Includes increase(decrease) in overdraft:
- (3) Includes timing for EFT funding:
- (4) Includes rebate from Duke Realty:
- (5) Includes receipt of \$6.1 billion from UPS.

\$ (185)	(988)	356	29
\$ 0	174,997	0	0
\$ 0	0	0	1,438

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Central States Pension Fund

Full Time Equivalents vs. Retirees
December 1998 Through November 2008



Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Position
 December 31, 2008
 (Dollar amounts in thousands)

	December 31, 2008	December 31, 2007	Change in Net Assets		Commentary
			Dollars	Percentage	
Total investments, net	\$ 1,197,387	1,168,951	28,436	2.6	<u>Employer contributions receivable, net</u> Primarily a four week billing period for December 2008 compared to a five week billing period for December 2007.
Employer contributions receivable, net	92,590	109,091	(16,501)	(1.5)	
Assets held under securities lending agreements	310,615	343,373	(32,758)	(3.0)	
Other assets	18,387	22,736	(4,349)	(0.4)	
Total assets	1,618,979	1,644,151	(25,172)	(2.3)	
Estimated benefits	191,973	196,300	4,327	0.4	
Liability to return collateral held under securities lending agreements	313,101	343,373	30,272	2.8	
Other liabilities	17,060	20,919	3,859	0.3	
Total liabilities	522,134	560,592	38,458	3.5	
NET ASSETS	\$ 1,096,845	1,083,559	13,286	1.2	

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Health and Welfare Fund
 Executive Summary of Financial Operations
 December 31, 2008
 (Tabular dollar amounts in thousands)

	Year-to-Date		Change from Prior Year		Commentary
	2008	(1) 2007	Dollars	Percentage	
INCOME & EXPENSES					
Contributions	\$ 1,190,530	1,169,116	21,414	1.8	Contributions - Primarily an increase in contribution rates, offset by decreased PTEs.
Benefits	1,029,748	996,628	(33,120)	(3.3)	Net investment income(loss) - Primarily \$149,671 unfavorable change in realized/unrealized gain(loss) combined with \$334 less interest and dividend income.
TeamCare administrative fees	29,974	29,411	(563)	(1.9)	
General and administrative expenses	38,254	38,251	(3)	-	
Increase in net assets before net investment income(loss)	92,554	104,826	(12,272)	N/A	
Net investment income(loss)	(79,268)	70,754	(150,022)	N/A	
Increase in net assets	\$ 13,286	175,580	(162,294)	N/A	

OPERATING STATISTICS

Benefits paid to contributions	86.9 %	85.6 %
General and administrative expenses to:		
Contributions	3.2 %	3.3 %
Benefits paid	3.7 %	3.8 %
Eleven months average FTEs	95,707	96,828
Contributions per average FTE	\$ 12,439	12,074
Benefits paid per average FTE	\$ 10,805	10,333

Note(s):

(1) Does not include final year end adjustments.

Central States, Southeast and Southwest Areas Health and Welfare Fund

Executive Summary of Current and Projected Operations

December 31, 2008

(Dollar amounts in thousands)

	December 2008		Variance		Commentary
	Actual	Projection	Favorable/(Unfavorable) Dollars	Percentage	
Contributions	\$ 91,077	95,547	(4,470)	(4.7)	Benefits - Projection included year end adjustments.
Benefits	84,487	92,739	8,252	8.9	
TeamCare administrative fees	2,573	2,499	(74)	(3.0)	
General and administrative expenses	3,343	3,289	(54)	(1.6)	
Increase (Decrease) in net assets before net investment income (loss)	674	(2,980)	3,654	N/A	
Net investment income (loss)	22,564	4,932	17,632	N/A	
Increase in net assets	\$ 23,238	1,952	21,286	N/A	
		Projection (1)			Assumptions Used in 2009 Projections
	January 2009	Remainder of 2009	Year Ending December 2009		
Contributions	\$ 117,100	1,129,700	1,246,800		Contributions - Scheduled contract rate increases and trended FTEs.
Benefits	85,400	990,500	1,075,900		
TeamCare administrative fees	2,500	28,100	30,600		Benefits - Overall cost increase of 7% per FTE.
General and administrative expenses	3,300	35,700	39,000		General and administrative expenses - A 2% increase over 2008.
Increase in net assets before net investment income (loss)	25,900	75,400	101,300		Net investment income - Annualized return of 5%.
Net investment income (loss)	5,000	56,500	61,500		
Increase in net assets	\$ 30,900	131,900	162,800		

Note(s):

(1) Projection is based upon 2008 results which do not yet include final year end adjustments, most significantly the estimated claims liability adjustment.

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

	December 31,	
	2008	(1) 2007
ASSETS		
Investments:		
United States government and government agency debt	\$ 647,233	555,089
Corporate debt	251,877	352,755
Common stock index fund	307,978	293,770
Total investments	<u>1,207,088</u>	<u>1,201,614</u>
Receivables:		
Employer contributions, less allowance for uncollectible contributions (2)	92,590	109,091
Other, primarily investment related	16,603	20,419
Total receivables	<u>109,193</u>	<u>129,510</u>
Cash	230	221
Assets held under securities lending agreements	310,615	343,373
Other, primarily furniture and equipment - net	1,554	2,096
Total assets	<u>1,628,680</u>	<u>1,676,814</u>
LIABILITIES		
Estimated benefits (3)	191,973	196,300
Liability to return collateral held under securities lending agreements	313,101	343,373
Checks drawn against future deposits	4,906	5,303
Payable for securities purchased	9,701	32,663
Accounts payable and accrued expenses	12,154	15,616
Total liabilities	<u>531,835</u>	<u>593,255</u>
NET ASSETS	<u>\$ 1,096,845</u>	<u>1,083,559</u>

Note(s):

- (1) Does not include final year end adjustments.
- (2) Allowance for uncollectible contributions:
- (3) Includes estimated claims liability adjustments:

\$	1,373	1,111
\$	0	(2,700)

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

	December		Year Ended	
	2008	(1) 2007	2008	(1) 2007
Contributions	\$ 91,077	114,305	1,190,530	1,169,116
Benefits and expenses:				
Benefits paid	83,552	65,894	1,034,075	1,000,498
Changes to liabilities for benefits	935	4,600	(4,327)	(3,870)
TeamCare administrative fees	2,573	2,512	29,974	29,411
General and administrative expenses	3,343	3,605	38,254	38,251
Total benefits and expenses	<u>90,403</u>	<u>76,611</u>	<u>1,097,976</u>	<u>1,064,290</u>
Increase in net assets before net investment income(loss)	674	37,694	92,554	104,826
Investment income(loss):				
Interest and dividends	3,920	4,243	47,369	47,703
Realized and unrealized gain(loss) on investments, net	18,687	(3,306)	(126,125)	23,546
Investment expenses	(43)	(45)	(512)	(495)
Net investment income(loss)	<u>22,564</u>	<u>892</u>	<u>(79,268)</u>	<u>70,754</u>
Increase in net assets	23,238	38,586	13,286	175,580
NET ASSETS:				
Beginning of period	<u>1,073,607</u>	<u>1,044,973</u>	<u>1,083,559</u>	<u>907,979</u>
End of period	<u>\$ 1,096,845</u>	<u>1,083,559</u>	<u>1,096,845</u>	<u>1,083,559</u>

Note(s):

(1) Does not include final year end adjustments.

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

	December		Year Ended	
	2008	(1)	2008	(1)
Operations:				
Contributions	\$ 110,719	91,426	1,204,588	1,161,124
Benefits paid, net (2)	(89,908)	(80,103)	(1,032,876)	(1,006,124)
	<u>20,811</u>	<u>11,323</u>	<u>171,712</u>	<u>155,000</u>
Payroll	(1,840)	(1,657)	(19,496)	(19,398)
Employee benefits	(867)	(679)	(8,535)	(8,268)
Fees and services (primarily Teamcare)	(2,983)	(2,844)	(32,101)	(31,367)
Rent (3)	(228)	(224)	(2,731)	(2,091)
Office	(504)	(549)	(4,740)	(5,402)
Other	(290)	(783)	285	(259)
	<u>(6,712)</u>	<u>(6,736)</u>	<u>(67,318)</u>	<u>(66,785)</u>
Net from operations	<u>14,099</u>	<u>4,587</u>	<u>104,394</u>	<u>88,215</u>
Net (to)from investments	(13,890)	(5,351)	(104,385)	(88,864)
Increase(Decrease) in cash	209	(764)	9	(649)
Cash:				
Beginning of period	<u>21</u>	<u>985</u>	<u>221</u>	<u>870</u>
End of period	<u>\$ 230</u>	<u>\$ 221</u>	<u>\$ 230</u>	<u>\$ 221</u>

Note(s):

- (1) Does not include final year end adjustments.
- (2) Includes decrease in overdraft of:
- (3) Includes rebate from Duke Realty:

\$ (1,423)	(3,015)	(397)	(1,480)
\$ 0	0	0	805

Central States Health and Welfare Fund

Full Time Equivalents vs. Retirees
December 1998 Through November 2008

