

United States Postal Service
 FY 2008 Workers' Compensation Expense
 (dollars in millions)
Note: Excluding Post Office Department Claims

	Fiscal Year Computation
July 1 - June 30 Expense - Cash Outlay Due to DOL	960
Plus Current 4 th Quarter	302
Less Prior 4 th Quarter	(179)
Subtotal	1,082
2008 Expense before Administrative Charge	1,082
Plus FY 2008 Administrative Charge (net refund adjustment)	51
Adjustment due to change in workers' compensation model	68
Total FY 2007 Workers' Compensation Expense	1,201
Long Term Accrual at 9/30/2007	6,749
Plus 2008 Workers' Compensation Expense	1,150
Less Current Billing for Active Claims	(960)
Less Change to Portion Treated as Short Term	5
Long Term Accrual at 9/30/2008	6,944

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	Fourth Quarter Calculation
Ultimate Losses 7/1-9/30 - Compensation	195
Ultimate Losses 7/1-9/30 - Medical	107
Total FY 2008 4 th Quarter Expense	302

Workers' Compensation (excluding POD)
 Calculation of FY 2008 - (Discount rates: 5.6% Comp / 5.4% Med)

FY 2007 Year End Liability

7,699,765,000 ¹⁾

FY 2008 Year End Liability from New Estimation Model

Compensation Liability as of June 30, 2008 5,893,439,000 ²⁾
 Medical Liability as of June 30, 2008 2,654,969,000 ³⁾

8,548,408,000

Roll forward calculation to estimate liability as of September 30, 2008:

Ultimate Losses 7/1-9/30 - Compensation 195,374,663 ⁴⁾
 Ultimate Losses 7/1-9/30 - Medical 106,521,773 ⁵⁾
 Payment on 9/15/2008 - Compensation (Actual) (584,595,942) ⁶⁾
 Payment on 9/15/2008 - Medical (Actual) (375,352,494) ⁶⁾

(658,052,000)

FY 2008 Year End Liability

7,890,356,000

Change in Liability

190,591,000 ⁷⁾

Cash Outlays

959,948,436 ⁸⁾

DOL Administration Charge

51,597,887 ⁹⁾

Less DOL Refund Adjustment

(1,090,034) ¹⁰⁾

Total Expense

1,201,047,289 ¹¹⁾

- 1) At the end of fiscal year 2008, the workers' compensation liability and expense accruals are estimated using an actuarial model based on the date of injury, pattern of historical payments, frequency and severity of the injuries and the expected trend in future cost. The new model estimates future payments which explicitly project the most recent 10 injury years and relies on an independent actuarial consulting firm to perform an actuarial valuation on injuries occurring in chargeback years more than 10 years old as of June 30, 2008 and development beyond 10 years. The 2007 liability was calculated by an independent actuary.
- 2) Projected FY 2008 compensation liability estimated from the model using quarterly Injury Compensation Performance Analysis System (ICPAS) data of actual payment made by OWCP. ICPAS data is received bi-weekly from DOL' Integrated Federal Employees' Compensation System (IFECS) via Automatic File Transfer (AFT).
- 3) Projected FY 2008 medical liability estimated from the model using quarterly ICPAS data of actual payment made by OWCP. ICPAS data is received bi-weekly from DOL' IFECS via AFT.
- 4) Estimated compensation liability in period July 1 through September 30 of indicated fiscal year. The DOL Chargeback Year begins July 1 and ends June 30. The USPS fiscal year begins October 1 and ends September 30. The model "rolled"-forward calculation based on previous quarter data.
- 5) Estimated medical liability in period July 1 through September 30 of indicated fiscal year.
- 6) The amount scheduled to be remitted to OWCP on September 15, 2008 is removed from the liability estimate. This amount is obtained from the OWCP Chargeback Billing received.
- 7) Increase (decrease) in liability. Difference between estimated FY 2007 and estimated FY 2008 year-end liabilities.
- 8) Chargeback year cash outlays made by DOL and reimbursable by the USPS.
- 9) DOL administrative charge, paid in September 2008 for July 1, 2008 - June 30, 2009 (25%); and September 2007 for July 1, 2007 - June 30, 2008 (75%).
- 10) Estimated cash outlays that were recoverable.
- 11) Expense for the fiscal year equals sum of increase in liability, DOL cash payments, recoverable costs and DOL administrative charge.

Workers' Compensation (including POD)
Calculation of FY 2008

FY 2007 Year End Liability

Workers' Compensation - Current (USPS)	951,078,000	
Workers' Compensation - Current (POD)	<u>20,088,725</u>	971,166,725 ¹⁾

Workers' Compensation - Noncurrent (USPS)	6,748,687,000	
Workers' Compensation - Noncurrent (POD)	<u>51,547,799</u>	6,800,234,799

FY 2007 Year End Liability

7,771,401,524

FY 2008 Year End Liability

Workers' Compensation - Current (USPS)	946,497,000	
Workers' Compensation - Current (POD)	<u>18,676,910</u>	965,173,910 ¹⁾

Workers' Compensation - Noncurrent (USPS)	6,943,859,000	
Workers' Compensation - Noncurrent (POD)	<u>59,426,938</u>	7,003,285,938

FY 2008 Year End Liability

7,968,459,848

FY 2008 Year End Expense

Change in Liability		197,058,325 ²⁾
Cash Outlays		980,045,339 ³⁾
DOL Administration Charge		51,597,887 ⁴⁾
Less DOL Refund Adjustment		(1,098,212) ⁵⁾
Rounding	*	(153,091) ⁶⁾
Total Expense		<u><u>1,227,450,248</u></u> ⁶⁾

1) Current portion of workers compensation liability is included in the current portion of compensation and benefits liability in the annual report.

2) Estimated increase (decrease) in liability. Difference between estimated FY 2007 and estimated FY 2008 year-end liabilities.

3) Chargeback year cash outlays made by DOL and reimbursable by the USPS.

4) DOL administrative charge, paid in September 2008 for July 1, 2008 - June 30, 2009 (25%); and September 2007 for July 1, 2007 - June 30, 2008 (75%).

5) Estimated cash outlays that were recoverable.

6) Expense for the fiscal year equals sum of increase in liability, DOL cash payments, recoverable costs and DOL administrative charge.