

United States Postal Service
 FY 2007 Workers' Compensation Expense
 (dollars in millions)
Note: Excluding Post Office Department Claims

	Fiscal Year Computation
July 1 - June 30 - Cash Outlay due to DOL	904
Plus Current 4 th Quarter	179
Less Prior 4 th Quarter	(273)
Subtotal	810
2007 Expense before Administrative Charge	810
Adjustment due to change in Workers' Compensation model	13
	823
Plus FY 2007 Administrative Charge (net refund adjustment)	46
Total FY 2007 Workers' Compensation Expense	870
Long Term Accrual at 9/30/2006	6,787
Plus 2006 Adjustment to Long Term Liability excluded from prior year calculation	21
Adjusted Long Term Accrual at 9/30/2006	6,808
Plus 2007 Workers' Compensation Expense	823
Less Current Billing for Active Claims	(904)
Plus Change to Portion Treated as Short Term	22
Long Term Accrual at 9/30/2007	6,749

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	Fourth Quarter Calculation
Ultimate Losses 7/1-9/30 - Compensation	101
Ultimate Losses 7/1-9/30 - Medical	78
Total FY 2007 4 th Quarter Expense	179

Workers' Compensation (excluding POD)
 Calculation of FY 2007 - (Discount rates: 5.6% Comp / 5.4% Med)

FY 2006 Year End Liability 7,780,568,628 ¹⁾

FY 2007 Year End Liability from Actuarial Report

Compensation Liability as of June 30, 2007	5,730,578,000 ²⁾	
Medical Liability as of June 30, 2007	<u>2,693,873,000</u> ³⁾	
		8,424,451,000

Roll forward calculation to estimate liability as of September 30, 2007:

Ultimate Losses 7/1-9/30 - Compensation	101,165,000 ⁴⁾	
Ultimate Losses 7/1-9/30 - Medical	78,190,000 ⁵⁾	
Payment on 9/15/2007 - Compensation	(559,429,000) ⁶⁾	
Payment on 9/15/2007 - Medical	<u>(344,612,000)</u> ⁶⁾	
		(724,686,000) ⁷⁾

FY 2007 Year End Liability 7,699,765,000

Change in Liability	(80,803,628) ⁸⁾
Cash Outlays	904,040,847 ⁹⁾
DOL Administration Charge	49,005,350 ¹⁰⁾
Less DOL Refund Adjustment	(2,579,304) ¹¹⁾
Total Expense	<u><u>869,663,265</u></u> ¹²⁾

- 1) Estimated workers' compensation liability at end of FY 2006 using former estimation model. This model used information regarding caseload, case cost, case duration, years since injury, severity of injury and claimant age at time of injury to estimate future workers' compensation cash outlays that comprised the liability. Separate liability estimations were made for compensation and medical claims. Source data for actual year-end estimations are Department of Labor chargeback tapes for year ended June 30. This model is no longer used. The 2007 liability was calculated by an independent actuary.
- 2) Projected FY 2007 compensation liability estimated by independent actuary using quarterly reports of actual payment provided to USPS by OWCP and only covers injuries occurring subsequent to July 1, 1972.
- 3) Projected FY 2007 medical liability estimated by independent actuary using quarterly reports of actual payment provided to USPS by OWCP and only covers injuries occurring subsequent to July 1, 1972.
- 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 independent actuary performed a roll forward calculation using estimated liability as of June 30, 2007.
- 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, 2007 is removed from the liability estimate. This amount is obtained from the OWCP Chargeback Billing received.
- 7) The independent actuary using paid loss development and an incremental frequency/severity method to evaluate the accrual liability as of June 30, 2007 and performed roll forward calculation to estimate the liability as of September 30, 2007.
- 8) Estimated increase (decrease) in liability. Difference between estimated FY 2006 and estimated FY 2007 year-end liabilities.
- 9) Chargeback year cash outlays made by DOL and reimbursable by the USPS.
- 10) DOL administrative charge, paid in September 2007 for July 1, 2007 - June 30, 2008 (25%); and September 2006 for July 1, 2006 - June 30, 2007 (75%).
- 11) Estimated cash outlays that were recoverable.
- 12) 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 2007

FY 2006 Year End Liability

Workers' Compensation - Current (USPS)	972,800,000	
Workers' Compensation - Current (POD)	<u>20,924,369</u>	993,724,369 ¹⁾
Workers' Compensation - Noncurrent (USPS)	6,807,768,628	
Workers' Compensation - Noncurrent (POD)	<u>61,577,117</u>	6,869,345,745

FY 2006 Year End Liability

7,863,070,114

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 2007 Year End Expense

Change in Liability	(91,668,591) ²⁾
Cash Outlays	924,137,751 ³⁾
DOL Administration Charge	49,005,350 ⁴⁾
Less DOL Refund Adjustment	(2,587,483) ⁵⁾
Rounding	1,286,419
Total Expense	<u><u>880,173,447</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 2006 and estimated FY 2007 year-end liabilities.

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

⁴⁾ DOL administrative charge, paid in September 2007 for July 1, 2007 - June 30, 2008 (25%); and September 2006 for July 1, 2006 - June 30, 2007 (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.