

United States Postal Service
 FY 2005 Workers' Compensation Expense
 (dollars in millions)
Note: Excluding Post Office Department Claims

	Fiscal Year Computation
July 1 - June 30 Expense	812
Plus Current 4th Quarter	242
Less Prior 4th Quarter	(282)
Subtotal	772
2005 Expense before Administration Charge	772
Plus FY 2005 Administration Charge	56
Total FY 2005 Workres' Compensation Expense	828
Long Term Accrual at 9/30/2004	6,566
Plus 2005 Workers' Compensation Expense	772
Less Current Billing for Active Claims	(818)
Less Change to Portion Treated as Short Term	102
Long Term accrual at 9/30/2005	6,622

United States Postal Service
FY 2005 Workers' Compensation Expense
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Note: Excluding Post Office Department Claims

	Fourth Quarter Calculation
Total Cost of New Claims	732
Estimated Percentage of New Claims Arriving in Fourth Quarter	25%
New Claims Portion of Fourth Quarter Expense	183
One-Quarter Inflation on Medical Liability @ 5.04%	27
One-Quarter Inflation on Compensation Liability @ 2.53%	32
Total FY 2005 Fourth Quarter Expense	242

Workers' Compensation
 Calculation of FY 2005 - 3.3% Comp / - .8% Med

FY 2004 Year End Liability 7,471,105,807 _{-1/}

FY2005 Year End Liability from model

Base Medical Liability	2,188,177,104	_2/	
Base Compensation Liability	<u>4,995,419,928</u>	_3/	
Subtotal - Base Liability			7,183,597,032

Plus:

Fourth Quarter Claims Costs - Medical	64,788,250	_4/	
Fourth Quarter Claims Costs - Compensation	118,327,750	_5/	
Medical Liability Inflation - @ 5.04%	27,571,032	_6/	
Compensation Liability Inflation - @ 2.53%	<u>31,596,031</u>	_7/	
Subtotal Fourth Quarter		_8/	242,283,063

FY 2005 Year End Liability estimated 7,425,880,095 _{-9/}

Change in Liability		(45,225,712)	_13/
Cash Outlays		818,211,956	_14/
Less Chargeback Credits		(898,484)	_15/
DOL Administration Charge		55,584,848	_16/
Total Expenses estimated		<u><u>827,672,607</u></u>	_17/

Footnotes to Workers' Compensation
FY 2005 Liability Expense

Explanation

Footnote

- _1/ The Workers' Compensation liability is estimated using workers' compensation estimation model. The model uses 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 comprise the liability. Separate liability estimations are made for compensation and medical claims. Source data for actual year-end estimations are Department of Labor chargeback tapes for year ended June 30.
- _2/ Projected FY 2005 year-end medical liability estimated by the workers' compensation model using Actual OWCP payment data.
- _3/ Projected FY 2005 year-end compensation liability estimated by the workers' compensation model using Actual OWCP payment data.
- _4/ The DOL Chargeback Year begins July 1 and ends June 30. The government fiscal year begins October 1 and ends September 30. We perform a fourth quarter calculation to bridge the period of July 1 through September 30. The fourth quarter calculation encompasses liability adjustments to take into effect new claims and inflation on existing claims during this three month period.
- _5/ Estimated cost of medical claims arriving on the workers' compensation rolls between July 1 and September 30 of Indicated fiscal year. Derived by multiplying cost of new medical claims for the previous year by 25%
- _6/ Estimated cost of compensation claims arriving on the workers' compensation rolls between July 1 and September 30. Derived by multiplying cost of new compensation claims for the previous year by 25%
- _7/ Estimated inflation in costs of medical claims in period of July 1 through September 30 of Indicated fiscal year. Derived by multiplying base medical liability by 25% of estimated medical care Inflation Source of data is 2005 Medicare Trustees Report.
- _8/ Estimated inflation in costs of compensation claims in period of July 1 through September 30 of Indicated fiscal year. Derived by multiplying base compensation liability by 25% of estimated CPI-U. Source of data is Global Insight (formerly Standard & Poor's DRI) The U.s. Economy, Winter 2005.
- _9/ Estimated workers' compensation liability at end of FY 2005. Sum of estimated liability and fourth quarter adjustments.
- _13/ Estimated decrease in liability. Difference between estimated FY 2004 and estimated FY 2005 year-end liabilities.
- _14/ Charge back year cash outlays made by DOL and reimbursable by the USPS.
- _15/ Estimated cash outlays that were recoverable.
- _16/ DOL administrative actual charge, paid every October.
- _17/ Expense for the fiscal year equals sum of increase in liability, DOL cash payments, recoverable costs and DOL administrative charge.

ESTIMATING RUN FOR 2005ANM

22: EST. TOT. INCURRED (\$000)

AGE	CLASS							
	1	2	3	4	5	6	7	
0	96,060	0	101,372	61,716	0	0	0	5
1	142,410	0	85,870	57,628	0	0	0	50
2	131,527	0	66,113	49,918	0	0	0	31
3	114,462	0	50,838	44,361	0	0	0	0
4	115,923	0	47,905	45,986	0	0	0	0
5	102,036	0	41,271	38,558	0	0	0	0
6	87,630	0	33,109	30,396	0	0	0	34
7	65,359	0	32,865	29,815	0	0	0	0
8	53,337	0	28,307	26,281	0	0	0	0
9	42,531	0	25,044	25,348	0	0	0	0
10	35,478	0	21,264	23,019	0	0	0	0
11	26,967	0	19,920	23,311	0	0	0	0
12	22,393	0	17,893	21,019	0	0	0	0
13	23,709	0	14,544	19,367	0	0	0	0
14	19,718	0	14,328	18,025	0	0	0	0
15	16,863	0	12,523	16,217	0	0	0	0
16	14,061	0	11,474	15,982	0	0	0	0
17	13,051	0	8,613	11,736	0	0	0	0
18	11,169	0	6,732	10,954	0	0	0	0
19	8,301	0	4,825	9,837	0	0	0	0
20	6,718	0	3,564	7,192	0	0	0	0
21	5,692	0	4,146	6,945	0	0	0	0
22	3,682	0	2,530	5,004	0	0	0	0
23	2,883	0	2,664	2,646	0	0	0	0
24	3,576	0	2,185	2,304	0	0	0	0
25+ USPS								65,119
25+ DOL								0
TOTAL	%1,165,534	0	659,900	603,566	0	0	119	65,119

23: SUMMARY REPORT FROM ESTIMATING RUN FOR 2005ANM RUN ON 07-29-2005

PARAMETERS: SMOOTHING FACTOR = 10%, DISCOUNT RATE = -.8%
 INFLATION RATE = 0%, LIFE ANNUITY = 2000ANC, YEARS DATA = 25

	2005ANM CURRENT COST	ESTIMATED TOTAL REMAINING LIABILITY	TOTAL COST INCURRED
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CLASS 1	148,208,900	1,017,325,000	1,165,534,000
CLASS 2	0	0	0
CLASS 3	86,014,020	573,885,500	659,899,500
CLASS 4	66,742,720	536,823,100	603,565,800
CLASS 5	0	0	0
CLASS 6	0	0	0
CLASS 7	107,685	11,720	119,405
AGE 25+	4,986,664	60,132,040	65,118,710
TOTAL	306,059,937	2,188,177,104	2,494,237,149

ESTIMATING RUN FOR 2005ANC

22: EST. TOT. INCURRED (\$000)

AGE	CLASS						
	1	2	3	4	5	6	7
0	208,765	0	179,535	82,815	0	0	2,196
1	221,937	0	158,318	81,656	0	0	1,602
2	212,776	0	137,632	83,920	0	0	4,859
3	193,009	0	117,340	81,566	0	0	2,348
4	185,438	0	112,853	79,015	0	0	2,042
5	164,594	0	90,084	69,628	0	0	3,940
6	149,667	0	67,913	51,517	0	0	3,433
7	111,350	0	72,706	49,241	0	0	4,584
8	89,497	0	69,484	46,266	0	0	2,181
9	82,412	0	59,231	49,887	0	0	3,628
10	65,283	0	59,398	41,215	0	0	1,137
11	56,316	0	52,020	48,695	0	0	2,637
12	50,829	0	52,445	47,851	0	0	1,876
13	46,861	0	46,349	41,144	0	0	4,772
14	46,164	0	46,526	47,429	0	0	2,232
15	48,321	0	41,936	43,818	0	0	1,935
16	37,113	0	33,836	45,766	0	0	1,228
17	35,699	0	32,302	37,683	0	0	1,895
18	32,918	0	22,885	35,803	0	0	4,181
19	24,519	0	21,360	30,992	0	0	1,472
20	28,526	0	18,627	28,532	0	0	2,497
21	21,598	0	19,962	24,825	0	0	2,170
22	14,704	0	11,315	21,106	0	0	791
23	11,381	0	15,322	13,741	0	0	1,760
24	12,821	0	11,768	14,445	0	0	1,217
25+ USPS							555,039
25+ DOL							0
TOTAL	%2,152,497	0	%1,551,146	%1,198,556	0	0	62,613 5

23: SUMMARY REPORT FROM ESTIMATING RUN FOR 2005ANC RUN ON 07-29-2005

PARAMETERS: SMOOTHING FACTOR = 10%, DISCOUNT RATE = 3.3%
 INFLATION RATE = 0%, LIFE ANNUITY =2000ANC, YEARS DATA = 25

	2005ANC CURRENT COST	ESTIMATED TOTAL REMAINING LIABILITY	TOTAL COST INCURRED
CLASS 1	200,488,400	1,952,009,000	2,152,497,000
CLASS 2	0	0	0
CLASS 3	147,191,200	1,403,955,000	1,551,146,000
CLASS 4	112,373,800	1,086,182,000	1,198,556,000
CLASS 5	0	0	0
CLASS 6	0	0	0
CLASS 7	4,101,551	58,511,930	62,613,470
AGE 25+	60,277,540	494,761,700	555,039,300
TOTAL	524,432,431	4,995,419,928	5,519,852,124