

Workers' Compensation (including POD)
Calculation of FY 2012

FY 2011 Year End Liability				
Workers' Compensation - Current (USPS)	1,224,546,348			
Workers' Compensation - Current (POD)	<u>15,466,178</u>			
		1,240,012,526	¹⁾	
Workers' Compensation - Noncurrent (USPS)*	13,820,662,726			
Workers' Compensation - Noncurrent (POD)	<u>65,997,508</u>			
		13,886,660,234		
4 th Quarter DOL Administration Charge - Paid on 10/15/11		16,672,526		
Discount		(1,680,283)		
FY 2011 Year End Liability		<u>15,141,665,003</u>		
FY 2012 Year End Liability				
Workers' Compensation - Current (USPS)	1,304,670,036			
Workers' Compensation - Current (POD)	<u>15,151,424</u>			
		1,319,821,460	¹⁾	
Workers' Compensation - Noncurrent (USPS)	16,164,396,690			
Workers' Compensation - Noncurrent (POD)	<u>65,732,847</u>			
		16,230,129,537		
4 th Quarter DOL Administration Charge - Paid on 10/15/12		17,097,039	⁴⁾	
FY 2012 Year End Liability		<u>17,567,048,036</u>		
FY 2012 Year End Expense				
Change in Liability		2,425,383,034	²⁾	
Cash Outlays (Includes Qtr 4 Admin Fee)		1,255,004,769	³⁾	
DOL Administration Charge (1 st - 3 rd quarters)		50,017,577	⁴⁾	
WC Cash Received from Dept of Justice		(811,540)		
Cash recoveries from field not in liability		(137,187)	⁵⁾	
Rounding		2		
Total Expense		<u>3,729,456,654</u>	⁶⁾	3,729,456,654
				0

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

²⁾ Estimated increase (decrease) in liability. Difference between estimated FY 2012 and estimated FY 2011 year-end liabilities. The change in liability includes the 4th quarter admin fee for the amount of \$17,097,039.

³⁾ Chargeback year cash outlays made by DOL and reimbursable by the USPS (POD portion paid on 10/15/12).

⁴⁾ DOL administrative charge, paid on 10/15/12 for July 1, 2012 - June 30, 2013 (25%); and 10/15/11 for July 1, 2011 - June 30, 2012 (75%).

⁵⁾ 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.

United States Postal Service
Workers' Compensation - Compensation and Medical Combined
Reserve Analysis - Data as of June 30, 2012
Estimated Liability as of Next Quarter: September 30, 2012
(000's)

		UNDISCOUNTED		
		Low	Central Estimate	High
Unpaid Liability	Compensation	\$13,980,764	\$15,222,204	\$16,289,865
	Medical	\$5,796,353	\$6,332,558	\$6,712,273
	Total	\$19,777,118	\$21,554,762	\$23,002,139
Est. Paid losses due on September 15, 2013	<i>Includes only one quarter of payments</i>			
	Compensation	\$193,321	\$204,196	\$216,988
	Medical	\$110,353	\$117,917	\$120,979
	Total	\$303,674	\$322,113	\$337,967
<i>(Source: Exh 8)</i>				
Estimated Liability as of Next Quarter: September 30, 2012		\$20,080,792	\$21,876,875	\$23,340,106

		DISCOUNTED		
		Low	Central Estimate	High
Unpaid Liability	Compensation	\$10,363,373	\$11,226,106	\$11,981,360
	Medical	\$4,271,546	\$4,651,295	\$4,918,199
	Total	\$14,634,919	\$15,877,401	\$16,899,559
Est. Paid losses due on September 15, 2013	Compensation	\$189,438	\$200,094	\$212,629
	Medical	\$108,116	\$115,527	\$118,526
	Total	\$297,554	\$315,621	\$331,156
Estimated Liability as of Next Quarter: September 30, 2012		\$14,932,473	\$16,193,022	\$17,230,715

		DISCOUNTED FOR OCT 15 PYMT		
		Low	Central Estimate	High
Unpaid Liability	Compensation	\$10,345,103	\$11,206,315	\$11,960,237
	Medical	\$4,263,945	\$4,643,019	\$4,909,448
	Total	\$14,609,049	\$15,849,334	\$16,869,686
Est. Paid losses due on September 15, 2013	Compensation	\$189,104	\$199,741	\$212,254
	Medical	\$107,924	\$115,322	\$118,316
	Total	\$297,028	\$315,063	\$330,570
Estimated Liability as of Next Quarter: September 30, 2012		\$14,906,076	\$16,164,397	\$17,200,255

Average discount factors		Low	Central Estimate	High
Unpaid Liability	Compensation	0.7413	0.7375	0.7355
	Medical	0.7369	0.7345	0.7327
	Total	0.7400	0.7366	0.7347
Est. Paid losses due on September 15, 2013	Compensation	0.9799	0.9799	0.9799
	Medical	0.9797	0.9797	0.9797
	Total	0.9798	0.9798	0.9798
Estimated Liability as of Next Quarter: September 30, 2012		0.7436	0.7402	0.7382

1.0214	-0.083333333	0.99824
1.0216	-0.083333333	0.99822

	\$11,406,056	Discounted comp
	\$4,758,340	Discounted med
WC Model Liab	\$16,164,397	

CURRENT LIABILITY \$1,304,670

Total Liability	\$17,469,067
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Scenarios used by the computational workbooks

WORKBOOK	SCENARIO	Assumptions	Percent
Claims Development --	Selected=Indicated	Estimated Future Medical Trend --	8.900
Loss Development --	Selected=Indicated	Annual Discount Rate, Compensation --	2.14%
Frequency/Severity --	Selected=Indicated	Annual Discount Rate, Medical --	2.16%
Data Projections --	Selected=Indicated	COLA for 2013	2.800
10-year forecast --	Selected=Indicated	COLA for remaining years	2.900
Trends --	KEPT: Ending Liability for Q4 with updated methodology to calculate COLA C.2.14 M.2.16		
		Annual change in projected hours worked	-2.300
		Annual change in projected frequency of claim counts	0.900
		Annual change in Compensation severity	11.500
		Annual change in Medical severity	8.900

Workers' Compensation (excluding POD)

Calculation of FY 2012 - (Discount rates: 1.14% Comp / 1.16% Med; COLA: 2.8% / Med Inflation 8.9%)

FY 2011 USPS Model Year End Liability		15,041,744,000	¹⁾		
2011 NRP End Liability		3,467,000			
Discount		(1,680,000)			
Sub-Total FY 2011 Year End Liability		<u><u>15,043,531,000</u></u>			
FY 2012 Year End Liability from Estimation Model					
Compensation Liability as of June 30, 2012	11,206,315,000		²⁾		
Medical Liability as of June 30, 2012	<u>4,643,019,000</u>		³⁾		
		15,849,334,000			
Roll forward calculation to estimate liability as of September 30, 2012:					
Ultimate Losses 7/1-9/30 - Compensation	199,741,000		⁴⁾		
Ultimate Losses 7/1-9/30 - Medical	115,322,000		⁵⁾		
Payment on 10/15/2012 - Compensation (Actual)	855,036,795		⁶⁾		
Payment on 10/15/2012 - Medical (Actual)	<u>449,823,206</u>		⁶⁾		
		1,619,923,001			
Discount		(189,965)			
Rounding					
FY 2012 Year End Liability		<u><u>17,469,067,036</u></u>			
Change in Liability		2,425,536,036	⁷⁾		
Cash Outlays		1,221,919,239			
DOL Administration Charge		<u>67,114,616</u>	⁸⁾	3,714,569,891	3,714,569,891
Total Expense		<u><u>3,714,569,891</u></u>	⁹⁾	0	

1)

At the end of fiscal year 2012, the workers' compensation liability and expense accruals are estimated using estimates of 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, 2012 and development beyond 10 years.

2)

Projected FY 2013 and 2012 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 the DOL Integrated Federal Emplo

3)

Projected FY 2013 and 2012 medical liability estimated from the model using quarterly ICPAS data of actual payment made by OWCP. ICPAS data is received bi-weekly from the 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 October 15, 2012 is added to the liability estimate. This amount is obtained from the OWCP Chargeback Billing received.

7)

Increase (decrease) in liability. Difference between estimated FY 2012 and estimated FY 2011 year-end liabilities.

8)

DOL administrative charge, paid on 10/15/12 for July 1, 2012 - June 30, 2013 (25%); and 10/15/2011 for July 1, 2011 - June 30, 2012 (75%).

9)

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