

POSTAL REGULATORY COMMISSION
901 New York Avenue, NW
Suite 200
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 or 15(d) of
The Securities Exchange Act of 1934
and Section 3654 of
The Postal Accountability and Enhancement Act of 2006

Date of Report (Date of earliest event reported): November 14, 2014

United States Postal Service

(Exact name of registrant as specified in its charter)

n/a (State or other jurisdiction of incorporation or organization)	n/a (Commission File Number)	41-076000 (I.R.S. Employer Identification No.)
---------------------------------------------------------------------------------	----------------------------------------	----------------------------------------------------------

475 L'Enfant Plaza, SW Washington, D.C. (Address of principal executive offices)	20260 (Zip Code)
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202-268-2000
(Registrant's telephone number, including area code)

n/a
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 14, 2014, the United States Postal Service (USPS) announced unaudited financial results for the fiscal year ended on September 30, 2014. Attached as exhibits to this report are a press release and certain supplemental information setting forth those financial results.

Item 8.01. Other Events.

On November 10, 2014, USPS announced that it had recently learned of a cyber intrusion into some of its information systems. It is working closely with the FBI, the Department of Justice, the USPS Office of Inspector General (OIG), the Postal Inspection Service, the U.S. Computer Emergency Readiness Team, and private-sector forensic specialists to investigate the matter and to strengthen the security of USPS systems against future cyber intrusions.

The investigation indicates that the compromised files contained personally identifiable information (PII) of employees and former employees including names, dates of birth, social security numbers, addresses, and other information. The potentially affected individuals include persons employed by the Postal Service between May 2012 and the present. In addition, USPS is investigating a possible compromise of injury claim data involving a smaller number of employees. Individualized letters will provide employees with specific information about their particular situation. USPS is unaware of any evidence that the compromised employee information has been used to engage in malicious activity. Nonetheless, USPS is making a credit monitoring product available to all potentially affected employees and former employees.

The intrusion also compromised files containing call center data submitted by customers who contacted the USPS customer care center with inquiries via telephone or e-mail between January 1, 2014, and August 16, 2014. This compromised data consists of names, addresses, telephone numbers, e-mail addresses and other information for those customers who may have provided such information. At this time, we do not believe that potentially affected customers need to take any action as a result of this incident.

The Postal Service's transactional revenue systems in Post Offices, as well as on *usps.com* where customers pay for services with credit and debit cards, have not been affected by this incident. There is no evidence that any customer credit card information from retail or online purchases such as Click-N-Ship, the Postal Store, PostalOne!, CAPS, change of address, or other services was compromised. USPS does not believe that the cyber intrusion or the costs of responding to it will have a material impact on its internal financial controls, results of operations or financial condition.

As the Postal Service continues to monitor the situation and investigate the matter, the operations of the Postal Service are not impacted. Post Offices are functioning normally, and mail and packages are being delivered as usual.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Press release issued on November 14, 2014, regarding unaudited financial results for the fiscal year ended on September 30, 2014.

Exhibit 99.2 Supplemental Information.

Signatures

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the duly authorized undersigned officer.

United States Postal Service
(Registrant)

/s/ Thomas J. Marshall

By: _____

(Signature)

Thomas J. Marshall
General Counsel and
Executive Vice President

Date: November 14, 2014

Exhibit 99.1

(See attached)



FOR IMMEDIATE RELEASE
Nov. 14, 2014

Contact: Patricia Licata
patricia.licata@usps.gov
202.268.2783
usps.com/news



U.S. Postal Service Reports Revenue Increase, \$5.5 Billion Loss in Fiscal 2014

- *Shipping and Package Services Revenue Up 9.1 Percent*
- *January 2014 Price Increase and Shipping and Packages Growth Drives Operating Revenue up \$569 Million*
- *Persistent Losses Reaffirm Need for Comprehensive Legislative Reform*

WASHINGTON — Due to a cyber-security intrusion that the U.S. Postal Service announced on Nov. 10, management and external auditors are currently reviewing significant financial applications to confirm that the incident did not compromise the financial data needed to file the Postal Service's fiscal 2014 Form 10-K. There is no indication at this time that the data was compromised, but out of an abundance of caution, the Postal Service will delay filing of the 10-K—which it had planned to do today—until review procedures are complete. The review, which has already begun, is expected to take several more weeks. View the Postal Service's [cyber intrusion](#) statement for more information about the incident.

In the interest of transparency, however, the Postal Service presented unaudited financial results for fiscal 2014 at its open Board of Governors meeting today and will again present the unaudited financial results at a financial briefing call today at 11 a.m.

At the Board meeting, the Postal Service reported that operating revenue increased \$569 million in fiscal year 2014 (Oct. 1, 2013 – Sept. 30, 2014). Excluding a one-time adjustment to revenue of \$1.3 billion in 2013 resulting from a change in accounting estimate for Forever stamps, 2014 operating revenue would have increased by \$1.9 billion. This revenue growth resulted from the January 2014 price increase and strong growth in the Shipping and Packages business. Offsetting this positive news, however, were legislative burdens and constraints that contributed to a \$5.5 billion net loss in 2014. This eighth consecutive annual net loss underscores the need for comprehensive legislation to repair the Postal Service's broken business model.

The net loss includes \$5.7 billion for the prefunding requirement of the Postal Service Retiree Health Benefit Fund and an additional \$1.2 billion in non-cash workers' compensation expense, consisting of \$485 million related to changes in interest rates and \$697 million of other non-cash workers' compensation expense. These items are outside of management's control.

"We have grown our revenue for two years in a row, primarily through growth in our package business and price changes, and we are making strong progress in many core areas of our business — from operational performance, to data and technology use, to developing and marketing new products and services — all of which are helping to build a strong foundation for the future of the organization," said Postmaster General and CEO Patrick R. Donahoe. "While we still have major issues to resolve with regard to our business model and legislative constraints, our message today is about momentum and progress."

"In 2014 we set another record for productivity," said Chief Financial Officer and Executive Vice

President Joseph Corbett. “Even as we continued growing our package business, we reduced work hours, transportation expenses, and compensation and benefits expenses.

“The legally mandated \$5.7 billion prefunding requirement for the Postal Service Retiree Health Benefit Fund contributed to our continuing losses,” said Corbett. “Due to lack of sufficient cash, we were forced to default on the \$5.7 billion prepayment, underscoring the need for legislative change.”

The Postal Service’s key legislative requirements:

- Require within the Federal Employees Health Benefit Program a set of specific health care plans that would fully integrate with Medicare and virtually eliminate the retiree health benefits unfunded liability and eliminate the need for multibillion dollar annual prefunding.
- Adjust the Federal Employee Retirement System payment amount using Postal Service specific demographic and salary growth assumptions and refund any existing surplus.
- Adjust required delivery frequency (six-day packages/five-day mail).
- Streamline governance model and eliminate duplicative oversight.
- Provide authority to expand products and services.
- Require a defined contribution retirement system for future Postal Service employees.
- Require arbitrators to consider the financial condition of the Postal Service.
- Reform workers’ compensation programs.

Results of Operations

Highlights of yearly results compared to the same period last year:

- Operating revenue was \$67.8 billion compared to \$67.2 billion in 2013. Without the 2013 one-time adjustment as noted above, 2014 operating revenue increased by \$1.9 billion over last year’s revenue. As a result of growth in our package business and the price increases implemented, this is the second consecutive year of revenue growth, reversing a four-year trend of revenue declines that began in 2008.
- Total mail volume was 155.4 billion pieces compared to 158.2 billion pieces a year ago, a decrease of 2.8 billion pieces or 1.8 percent. Shipping and Package Services volume grew by 300 million pieces, an increase of 8.1 percent. First-Class Mail, our most profitable service line, and Standard Mail volume decreased by 2.2 billion and 495 million pieces, respectively.
- Operating expenses were \$73.2 billion in 2014 compared to \$72.1 billion in 2013. A non-cash adjustment for interest rate changes associated with workers’ compensation caused \$2.2 billion of the increase year over year. This was offset by a \$737 million reduction in other workers’ compensation expense and a \$708 million reduction in compensation and benefits expenses.
- Expenses include the required \$5.7 billion contribution to the retiree health care benefits fund that the Postal Service was unable to make by the due date of Sept. 30, 2014. Unless legislation reforms the retiree health care benefits program, the Postal Service will likely be forced to default on its prefunding obligations in 2015 and 2016.

- The resulting net loss for the 2014 fiscal year was \$5.5 billion compared to a net loss of \$5.0 billion in 2013.

Financial Briefing Fri., Nov. 14, 2014

Postmaster General & CEO Patrick R. Donahoe and Chief Financial Officer and Executive Vice President Joseph Corbett will host a telephone/web conference call at 11:00 a.m. ET, Fri., Nov. 14, 2014, to discuss the unaudited financial results. The call is open to the news media and all other interested parties.

How to Participate:

Important Notice: To ensure your computer is set up to join the event, click on the link www.webex.com/lp/jointest/

US/Canada Attendee Dial-in: (888) 888-9538
Conference ID: 25456349

Attendee Direct URL:
<https://usps.webex.com/usps/onstage/g.php?MTID=e74dbd2d895e48823583bf81c582c983a>

If you cannot join using the direct link above, please use the alternate logins below:
Alternate URL: <https://usps.webex.com>
Event Number: 391 244 548

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Please Note: For broadcast quality video and audio, photo stills and other media resources, visit the USPS Newsroom at about.usps.com/news/welcome.htm

For reporters interested in speaking with a regional Postal Service public relations professional, please go to about.usps.com/news/media-contacts/usps-local-media-contacts.pdf.

Follow us on twitter.com/USPS and like us at facebook.com/USPS. For more information about the Postal Service, go to usps.com and usps.com/postalfacts.

Exhibit 99.2

(See attached)

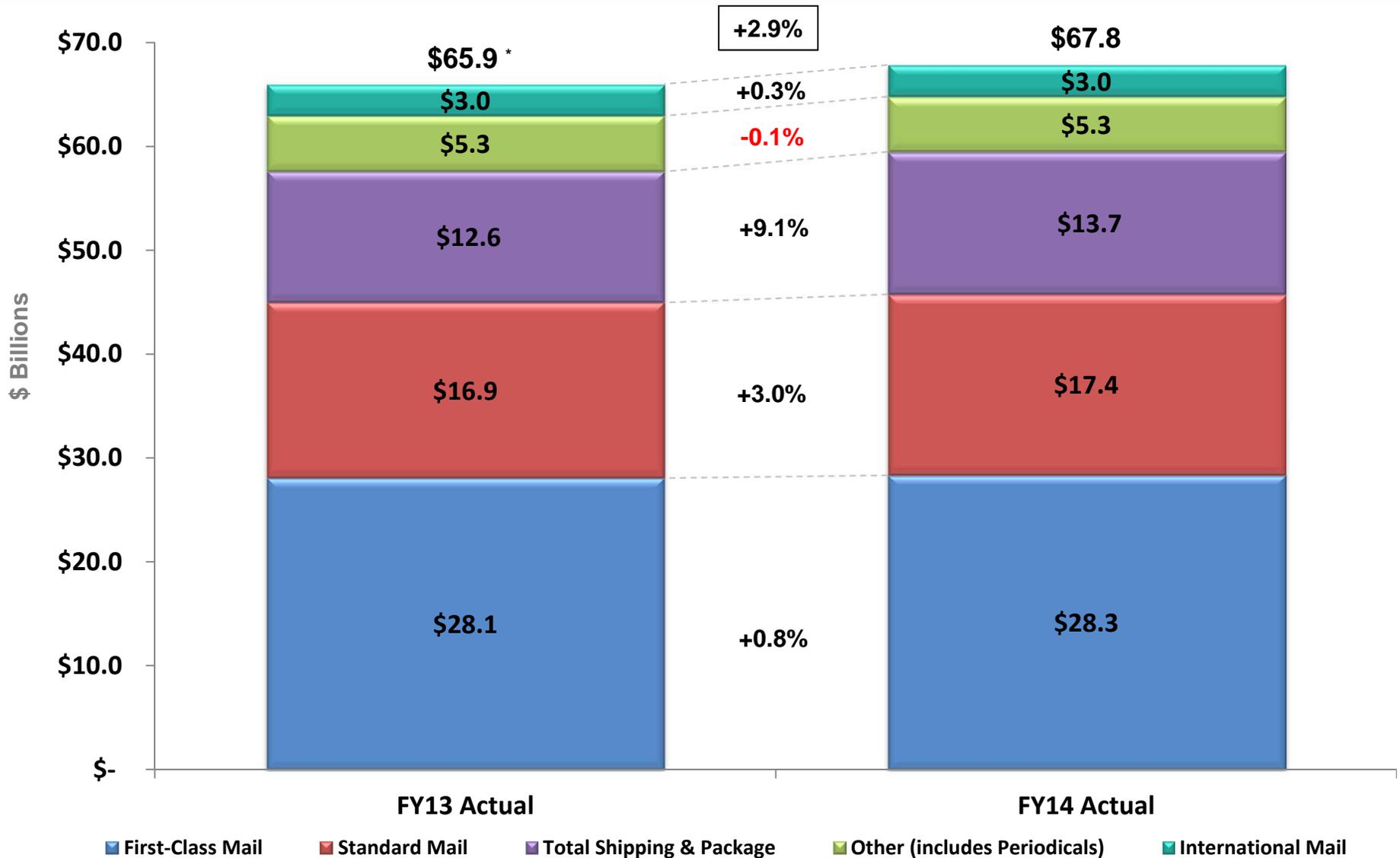
Preliminary Financial Results Fiscal Year 2014

Board of Governors Open Session

November 14, 2014

September YTD (12 Months)	FY	FY
(Billions)	2014	2013
Revenue ¹	\$67.8	\$65.9
Expenses ^{1, 2}	66.3	66.8
Other Income (Expense), Net	(0.1)	(0.1)
Controllable Income (Loss) ²	1.4	(1.0)
Changes in Accounting Estimate ³	-	1.3
Retiree Health Benefits Pre-Funding	(5.7)	(5.6)
Workers' Comp. Fair Value Adj.	(0.5)	1.7
Workers' Comp. Other Non-Cash Adj.	(0.7)	(1.4)
Net Income (Loss)	(\$5.5)	(\$5.0)
Liquidity Days (of oper. cash)	19	9

- 1 - Revenue excludes investment income and gain on sale of assets. Expenses exclude interest expense and loss on sale of assets.
- 2 - Before RHB pre-funding and non-cash adjustments to workers' compensation liabilities.
- 3 - Newly available data in 2013 on forever stamp usage resulted in a \$1.3B reduction in Deferred Revenue – Prepaid Postage in 2013.
- Retail and delivery days were equal compared to FY2013.



• FY2013 revenue excludes \$1.3B reduction in Deferred Revenue – Prepaid Postage.
 Note - Revenue excludes investment income and gain on sale of assets.

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- Retail and delivery days were equal compared to FY2013.

September YTD (12 Months) (Billions)	FY 2014	FY 2013
Compensation & Benefits	\$50.4	\$50.9
Transportation	6.6	6.7
Depreciation	1.8	1.9
Supplies & Services	2.6	2.4
Rent, Utilities & Other	4.9	4.9
Controllable Expenses¹	\$66.3	\$66.8

1 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities.

- Delivery days were equal compared to FY2013.

Note - Expenses exclude interest expense and loss on sale of assets.

September YTD (12 Months) (Billions)	FY 2014	FY 2013
Revenue ¹	\$67.8	\$65.9
Expenses ^{1, 2}	66.3	66.8
Other Income (Expense), Net	<u>(0.1)</u>	<u>(0.1)</u>
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Retiree Health Benefits Pre-Funding	(5.7)	(5.6)
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Unaudited--A Deep Financial Hole As of September 30, 2014

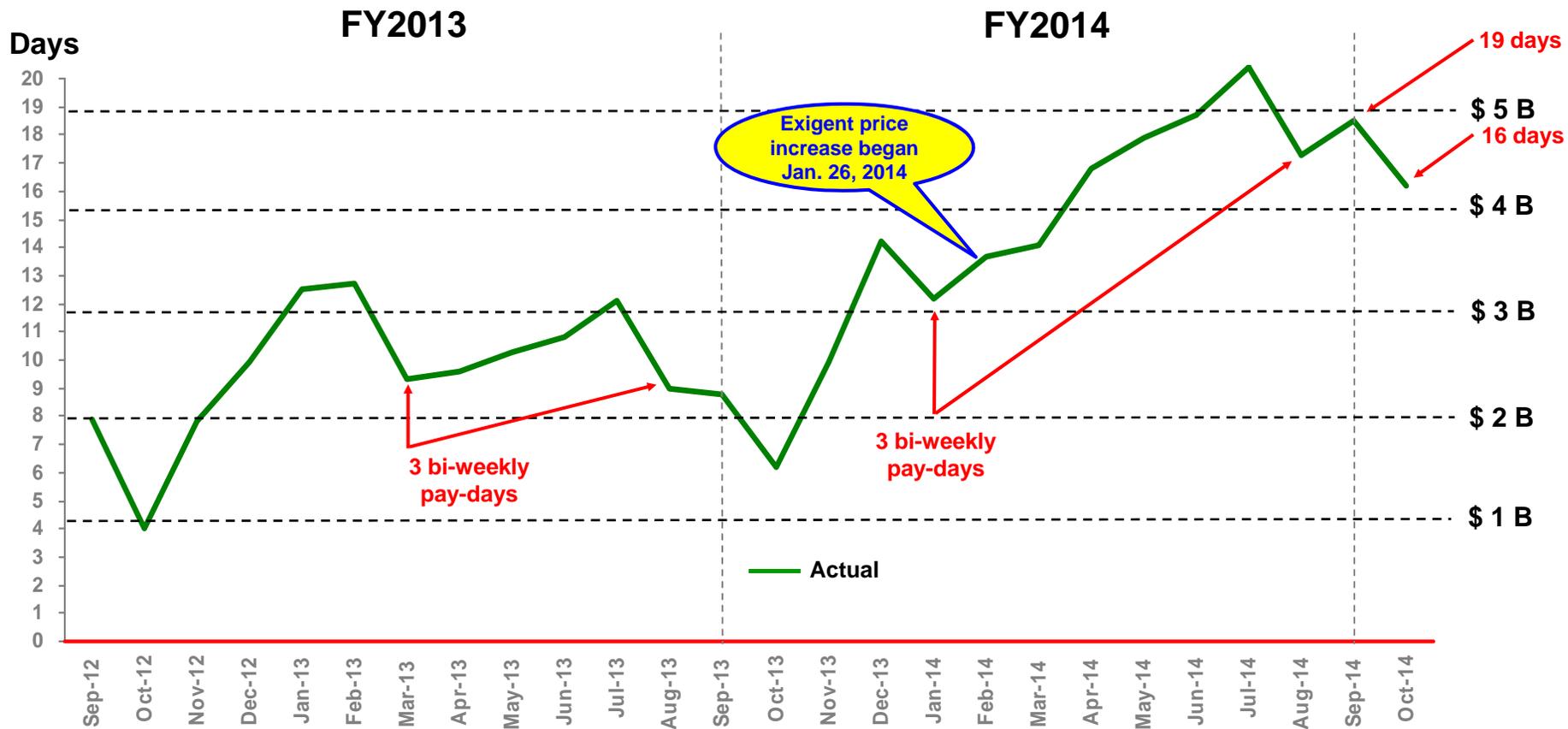
- **Liabilities exceed assets by approximately \$45 billion.**
- **The USPS has only 34 cents of assets to cover each dollar of its liabilities.**

Unrestricted Cash	\$ 4.9B	Retiree Health Benefits	\$22.4B
Buildings & Equipment, net of depreciation	\$16.3B	Workers' Compensation	\$18.4B
Other Assets	\$ 1.8B	Debt	\$15.0B
		Accrued Compensation, benefits, and leave	\$ 3.5B
		Prepaid Postage	\$ 3.1B
		Other	\$ 5.9B
Total Assets	\$23.0B	Total Liabilities	\$68.3B

- Under multi-employer accounting rules, there are approximately \$46B in obligations not shown on the balance sheet.
- Significant profits over years and legislation are needed to recover.

Unaudited FY2013-FY2014 Liquidity Days of Operating Cash Available

No payments for Retiree Health Benefits (RHB) Pre-Funding are included (\$5.6B in 2013 and \$5.7B in 2014)



- Liquidity includes unrestricted cash plus available borrowing, up to \$15B limit
- Days of Operating Cash – based on average operating costs disbursed per day ~\$265M

Mid-October Balances shown - Low points after annual Workers' Compensation payments to DOL

Fiscal 2014 End of Year (Oct. 1, 2013 – Sept. 30, 2014) Financial Results

OVERVIEW

Due to a cyber-security intrusion that the U.S. Postal Service announced on Nov. 10, management and external auditors are currently reviewing significant financial applications to confirm that the incident did not compromise the financial data needed to file the Postal Service's fiscal 2014 Form 10-K. There is no indication at this time that the data was compromised, but out of an abundance of caution, the Postal Service will delay filing the 10-K—which it had planned to do Nov. 14, 2014—until review procedures are complete. View the Postal Service's [cyber intrusion](#) statement for more information about the incident.

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Key Points

- At the Board meeting, the Postal Service reported that operating revenue increased \$569 million in fiscal year 2014 (Oct. 1, 2013 – Sept. 30, 2014).
- Excluding a one-time adjustment to revenue of \$1.3 billion in 2013 resulting from a change in accounting estimate for Forever stamps, 2014 operating revenue would have increased by \$1.9 billion.
- This revenue growth resulted from the January 2014 price increase and strong growth in the Shipping and Packages business.
- Offsetting this positive news, however, were legislative burdens and constraints that contributed to a \$5.5 billion net loss in 2014.
- This eighth consecutive annual net loss underscores the need for comprehensive legislation to repair the Postal Service's broken business model.
- The net loss includes \$5.7 billion for the prefunding requirement of the Postal Service Retiree Health Benefit Fund and an additional \$1.2 billion in non-cash workers' compensation expense, consisting of \$485 million related to changes in interest rates and \$697 million of other non-cash workers' compensation expense. These items are outside of management's control.
- In 2014 the Postal Service set another record for productivity. Even as the package business grew, it reduced work hours, transportation expenses, and compensation and benefits expenses.
- Due to lack of sufficient cash, the Postal Service defaulted on the \$5.7 billion Retiree Health Benefit Fund prepayment, underscoring the need for legislative change."

Following is a summary of yearly results of Operations compared to same period last year.

- Operating revenue was \$67.8 billion compared to \$67.2 billion in 2013. Without the 2013 one-time adjustment as noted above, 2014 operating revenue increased by \$1.9 billion over last year's revenue. As a result of growth in our package business and the price increases implemented, this is the second consecutive year of revenue growth, reversing a four-year trend of revenue declines that began in 2008.
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Nov. 14, 2014 / P.L.