

Workers' Compensation (including POD)
Calculation of FY 2014

FY 2013 Year End Liability

Workers' Compensation - Current (USPS)	1,292,204,491	
Workers' Compensation - Current (POD)	<u>12,607,195</u>	1,304,811,686 ¹⁾

Workers' Compensation - Noncurrent (USPS)	15,871,098,199	
Workers' Compensation - Noncurrent (POD)	<u>47,357,213</u>	15,918,455,412

4th Quarter DOL Administration Charge - Paid on 10/15/13 16,823,076 ¹⁾

FY 2013 Year End Liability 17,240,090,174

FY 2014 Year End Liability

Workers' Compensation - Current (USPS)	1,291,631,483	
Workers' Compensation - Current (POD)	<u>11,475,822</u>	1,303,107,305 ¹⁾

Workers' Compensation - Noncurrent (USPS)	17,061,009,716	
Workers' Compensation - Noncurrent (POD)	<u>41,176,013</u>	17,102,185,729

4th Quarter DOL Administration Charge - Paid on 10/15/14 17,251,967 ¹⁾

FY 2014 Year End Liability 18,422,545,002

FY 2014 Year End Expense

Change in Liability 1,182,454,828 ²⁾

Cash Outlays in FY 14 (Includes estimated admin fee for July 1, 2013 - September 30)	1,321,635,188	3)
DOL Administration Charge (October 1, 2013-June 30, 2014)	50,469,228	4)
Other miscellaneous expenses	(231,940)	5)
Total Expense	<u>2,554,327,304</u>	6)

- 1) Current portion of workers compensation liability and 4th quarter DOL administration charge were included in the current liabilities in the annual report.
- 2) Estimated increase (decrease) in liability. Difference between estimated FY 2014 and estimated FY 2013 year-end liabilities.
- 3) The amount remitted to OWCP on October 15, 2014, minus estimated administrative fee for FY2014 Q1-Q3.
- 4) DOL administrative charge, paid on 10/15/13, minus estimated administrative fee for USPS FY2013 Q4.
- 5) Other miscellaneous expenses include expenses such as reimbursements for difference between USPS health benefit rate and Federal rate.
- 6) Expense for the fiscal year equals sum of increase (decrease) in liability, DOL cash payments, DOL administrative charge and other miscellaneous expenses.

Workers' Compensation (excluding POD)

Calculation of FY 2014 - (Discount rates: 2.75% Comp / 2.74% Med ; 2014 COLA: 2.3% / Med Inflation 9.0%)

FY 2013 Year End Liability **17,163,302,491**

FY 2014 Year End Liability from Estimation Model

Losses unpaid by DOL-9/30/2014 to ultimate-Compensation	11,861,928,511 ^{2), 3)}	
Losses unpaid by DOL-9/30/2014 to ultimate-Medical	<u>4,848,212,515</u> ^{2), 3)}	
Subtotal		16,710,141,026
Estimated paid losses-7/1/2014-9/30/2014-due on 10/15/2015-Compensation	220,503,904 ^{2), 3)}	
Estimated paid losses-7/1/2014-9/30/2014-due on 10/15/2015-Medical	<u>130,366,065</u> ^{2), 3)}	
Subtotal	350,869,970	350,869,970
Payment on 10/15/2014-Compensation and Medical (Actual)	1,291,631,483 ⁴⁾	

FY 2014 Year End Liability **18,352,642,479** ¹⁾

Change in Liability 1,189,339,988 ⁵⁾

Cash Outlays	1,292,204,491 ⁶⁾
DOL Administration Expense	67,721,196 ⁷⁾
Other miscellaneous expenses	<u>(231,940)</u> ⁸⁾
Total Expense	<u>2,549,033,735</u> ⁹⁾

- 1) For fiscal year 2014, USPS employed a workers' compensation model using actuarial methodologies to estimate the liability for future payments. The model explicitly estimated future payments for the most recent 10 injury years and relied on external estimates of older injury years and development beyond 10 years.
- 2) Projected liability estimated from the model using quarterly summary data of actual payment made by OWCP through June 2014 was received from DOL.
- 3) 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 was based on previous quarter data.
- 4) The amount scheduled to be remitted to OWCP on October 15, 2014 is added to the liability estimate. This amount is obtained from the DOL bill.
- 5) Increase in liability. Difference between estimated FY 2014 and estimated FY 2013 year-end liabilities.
- 6) The amount remitted to OWCP on October 15, 2013.
- 7) DOL administrative expense for fiscal year 2014
- 8) Other miscellaneous expenses include expenses such as reimbursements for difference between USPS health benefit rate and Federal rate.
- 9) Expense for the fiscal year equals sum of increase in liability, DOL cash payments, DOL administrative expense and other miscellaneous expenses.

United States Postal Service
Workers' Compensation - Compensation and Medical Combined
Reserve Analysis - Data as of June 30, 2014
Estimated Liability as of Next Quarter: September 30, 2014
(000's)

		UNDISCOUNTED		
		Low	Central Estimate	High
Losses Unpaid by DOL	Compensation	\$15,980,767	\$17,448,868	\$19,726,526
	Medical	\$6,423,914	\$7,053,334	\$7,498,531
	Total	\$22,404,681	\$24,502,202	\$27,225,057
Est. Paid losses due on October 15, 2015	<i>Includes only one quarter of payments</i>			
	Compensation	\$213,786	\$226,824	\$256,664
	Medical	\$121,814	\$134,089	\$141,116
	Total	\$335,600	\$360,913	\$397,780
(Source: Exh 8)				
D.O.L. Actual Loss chargeback due on October 15, 2014				
	Total	\$1,291,631	\$1,291,631	\$1,291,631
Estimated Liability as of Next Quarter: September 30, 2014		\$24,031,912	\$26,154,746	\$28,914,469

		DISCOUNTED		
		Low	Central Estimate	High
Losses Unpaid by DOL	Compensation	\$10,924,170	\$11,861,929	\$13,402,745
	Medical	\$4,425,523	\$4,848,213	\$5,146,103
	Total	\$15,349,693	\$16,710,141	\$18,548,847
Est. Paid losses due on October 15, 2015	Compensation	\$207,829	\$220,504	\$249,512
	Medical	\$118,432	\$130,366	\$137,198
	Total	\$326,261	\$350,870	\$386,710
D.O.L. Actual Loss chargeback due on October 15, 2014				
	Total	\$1,291,631	\$1,291,631	\$1,291,631
Estimated Liability as of Next Quarter: September 30, 2014		\$16,967,585	\$18,352,842	\$20,227,189

Average discount factors		Low	Central Estimate	High
Losses Unpaid by DOL	Compensation	0.6836	0.6798	0.6794
	Medical	0.6889	0.6874	0.6863
	Total	0.6851	0.6820	0.6813
Est. Paid losses due on October 15, 2015	Compensation	0.9721	0.9721	0.9721
	Medical	0.9722	0.9722	0.9722
	Total	0.9722	0.9722	0.9722
D.O.L. Actual Loss chargeback due on October 15, 2014				
	Total	1.0000	1.0000	1.0000
Estimated Liability as of Next Quarter: September 30, 2014		0.7060	0.7017	0.6996

"Next" Payment Date	10/15/2015
Model Eval. Date	6/30/2014
Liability Date	9/30/2014
Chargeback Year	2014
"Current" Payment Date	10/15/2014
Current Unpaid?	TRUE
Rollforward Discount Rate	1.0275
Rollforward Discount Period	0.00

if payment less than 1 month away, no discounting

Scenarios used by the computational workbooks

WORKBOOK	SCENARIO
Claims Development	Selected=Indicated
Loss Development	Selected=Indicated
Frequency/Severity	Selected=Indicated
Data Projections	Selected=Indicated
10-year forecast	Selected=Indicated
Trends	Selected=Indicated

Assumptions	Percent
Estimated Historical Medical Severity Trend --	9.00%
Evaluation date of T-bill rate --	9/30/2014
Annual Discount Rate, Compensation --	2.75%
Annual Discount Rate, Medical --	2.74%
COLA for 2015	1.0230
COLA for 2016	1.0294
COLA for 2017	1.0294
COLA for 2018	1.0294
COLA for remaining years	1.0290
Annual change in projected hours worked	-0.70%
Annual change in projected frequency of claim counts	0.00%
Annual change in Compensation severity	6.00%
Annual change in Medical severity	6.50%