

Fiscal Year 2008 Executive Officer Compensation

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Bonus (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(g)	(h)	(i)	(j)
John E. Potter	FY08	\$263,575	\$0	135,041	\$381,496	\$77,347	857,459
<i>Postmaster General, CEO</i>							
H. Glen Walker	FY08	\$218,654	\$0	\$11,700	\$30,352	\$18,988	\$279,694
<i>CFO & Executive VP</i>							
Patrick R. Donahoe	FY08	\$238,654	\$0	\$36,000	\$316,805	\$8,567	\$600,026
<i>Deputy Postmaster General & COO</i>							
Anthony J. Vegliante	FY08	\$228,654	\$0	\$32,200	\$209,273	\$12,693	\$482,820
<i>Chief Human Resources Officer & Executive VP</i>							
Mary Anne Gibbons	FY08	\$218,654	\$0	\$26,400	\$82,875	\$10,388	\$338,317
<i>Sr. VP, General Counsel</i>							

Note: Column (g) The amount listed for Mr. Potter in this column reflects the pay-for-performance amount the Governors awarded to Mr. Potter based on the Postal Service's overall national NPA performance (\$18,300) plus the amount of incentive compensation the Governors awarded to Mr. Potter pursuant to his employment agreement (\$116,741). Mr. Potter's non-equity incentive plan compensation is deferred due to the compensation cap and will be paid in ten annual installments after he leaves postal employment. The amounts listed for the other named executive officers are the amount Mr. Potter awarded to these individuals based on the NPA score and individual performance.

Column (h) Mr. Potter, Mr. Donahoe, and Mr. Vegliante all participate in the Civil Service Retirement System, which is a defined benefit plan. Mr. Walker and Ms. Gibbons participate in the Federal Employees Retirement system, a portion of which is a defined benefit plan. The calculation of retirement annuities under CSRS and FERS is explained on pages 36 and 37 in the Retirement Annuities section of this Compensation Discussion and Analysis. The amounts shown in column (h) for each of these individuals are the amounts by which the value of their annuities has increased since the end of fiscal year 2007. "Nonqualified deferred compensation earnings" is defined as above-market earnings on deferred income. There were no reportable amounts of non-qualified deferred compensation earnings for the named executive officers in fiscal year 2008.

Column (i) For all executive officers listed, the 'All Other Compensation' category includes: financial planning services, Thrift Savings Plan employer matching contribution for FERS employees, non-cash awards, parking, physical examinations, life insurance premiums paid for by the Postal Service, airline clubs, spousal travel. Security costs valued at \$ 69,253 are also included for the Postmaster General.

Grants of Plan-Based Awards

The following table presents information regarding non-equity incentive grants to the named executive officers for fiscal year 2009. Whether executive officers receive an award and, if so, the amount for an award for fiscal year 2009 will depend on the Postal Service's and the individual's performance.

Name	Grant date	Estimated future payouts under non-equity incentive plan awards		
		Threshold (\$)	Target (\$)	Maximum (\$)
(a)	(b)	(c)	(d)	(e)
John E. Potter	October 2008	\$14,115	\$31,838	\$99,495
H. Glen Walker	October 2008	\$11,704	\$26,400	\$82,500
Patrick R. Donahoe	October 2008	\$12,768	\$28,800	\$90,000
Anthony J. Vegliante	October 2008	\$12,236	\$27,600	\$86,250
Mary Anne Gibbons	October 2008	\$11,704	\$26,400	\$82,500

Note: Columns (c)-(e). The USPS Pay-for-Performance (PFP) program relies on a 15-point scale with clearly defined and transparent corporate goals. The minimum threshold for any payment is set at a rating of 4 and the maximum threshold for payment is set at a rating of 15. The PFP plan target in any given year is set at a rating of 6. Incentives are not paid for any rating of less than 4. Individual ratings vary but the corporate score is used as the regulator.

Pension Benefits

The table below shows the present value of accumulated pension benefits payable to the named executive officer.

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit (\$)
(a)	(b)	(c)	(d)
John E. Potter	USPS Pension Benefit	n/a	\$1,350,318
John E. Potter	CSRS Annuity	30 Years	\$2,453,057
H. Glen Walker	FERS Annuity	2 Years	\$ 60,702
Patrick R. Donahoe	CSRS Annuity	33 Years	\$2,522,570
Anthony J. Vegliante	CSRS Annuity	31 Years	\$2,171,701
Mary Anne Gibbons	FERS Annuity	23 Years	\$ 815,758

Note: Column (d) Mr. Potter is the only USPS officer who also has a USPS Pension Benefit pursuant to contractual agreement. The amount in the first line in column (d) above for Mr. Potter above is payable to Mr. Potter for his employment as Postmaster General for his attainment of required performance objectives over the six-year period from June 2001 – June 2007 and was not based on his years of service to the Postal Service. Since 2007, the Board has not continued the USPS Pension Benefit and has frozen the amount of that benefit. Instead, since that time, Mr. Potter has been eligible for a performance incentive each year if he meets required performance objectives. The above amount of USPS Pension Benefit will be paid to Mr. Potter in monthly installments during his lifetime after he leaves postal employment, with a survivor annuity equal to 55% of the amount payable to Mr. Potter. All officers, including Mr. Potter, are eligible for Federal CSRS or FERS retirement benefits available to career employees of the Federal Government. These benefits are described in the Retirement Annuities section of this compensation discussion and analysis. The present value of the accumulated Federal CSRS or FERS benefit represents the value of the pension over the actuarial lifetime, as of September 30, 2008. Mr. Walker and Ms. Gibbons participate in FERS and the other named executive officers participate in CSRS. Mr. Potter and Mr. Donahoe are eligible for early retirement, the calculation of which is described in the Retirement Annuities section of the compensation discussion and analysis. The valuations for Mr. Potter and Mr. Donahoe reflect reductions that would apply for early retirement, as neither of these individuals has reached the age required for optional retirement. The valuation for Mr. Walker assumes that he has satisfied vesting requirements for retirement; however, because of his short tenure with the Postal Service, Mr. Walker's retirement annuity has not vested.

Nonqualified Deferred Compensation

The following table presents information regarding the contributions to and earnings on the named executive officers' deferred compensation balances during the fiscal year ended September 30, 2008, and also shows the total deferred amounts for the named executive officers as of September 30, 2008.

Name	Executive contributions in last FY (\$)	Aggregate earnings in last FY (\$)	Aggregate balance at September 30, 2008 (\$)
(a)	(b)	(c)	(d)
John E. Potter	\$135,041	\$20,232	\$593,649
Patrick R. Donahoe	\$ 11,500	\$ 591	\$ 27,720
Anthony J. Vegliante	\$ 0	\$ 525	\$ 14,397

Notes:

Column (b) The amounts in this column represent amounts deferred due to the compensation cap.

Column (c) The Postal Service calculates interest on deferred compensation at 5.0% per year.

Column (d) Mr. Potter's balance of \$593,649 includes awards and performance incentives he earned in the 1990s before becoming Postmaster General, performance incentives he earned during the period from 2001 to 2007, interest earned on these amounts, and the amount shown in column (b) for Mr. Potter that was deferred in the last fiscal year.. The remaining portion is for interest on the above amounts. This total amount for Mr. Potter is payable in equal installments over a 10-year period after Mr. Potter's postal employment ends.

Director Compensation

Name	Fees earned or paid in cash (\$)	All other compensation (\$)	Total (\$)
Alan C. Kessler	\$34,500	\$0	\$34,500
Carolyn Lewis Gallagher	\$36,600	\$0	\$36,600
Mickey D. Barnett	\$36,000	\$0	\$36,000
James H. Bilbray	\$35,400	\$0	\$35,400
Louis J. Giuliano	\$36,600	\$0	\$36,600
Thurgood Marshall, Jr.	\$36,300	\$0	\$36,300
James C. Miller III	\$36,300	\$0	\$36,300
Katherine C. Tobin	\$36,600	\$0	\$36,600
Ellen C. Williams	\$33,600	\$0	\$33,600

Note: Each Governor receives a basic stipend of \$30,000 per year plus \$300 per day for not more than 42 days of meetings each year.

Potential Payments Upon Termination

As described in the Compensation Discussion and Analysis, the Postmaster General has an employment agreement with the Postal Service that provides for, among other things, pension benefits and deferred compensation payable at certain intervals following his departure from the Postal Service. The Postmaster General is the only named executive officer with an employment agreement. In addition, the Postmaster General is eligible to receive benefits pursuant to the Civil Service Retirement System (CSRS). All of the other named executives are subject to the standard policies governing the CSRS or the Federal Employees Retirement System (FERS), as described in the Compensation Discussion and Analysis. The present value of these CSRS and FERS benefits are found in the Pension Benefits table in the Compensation section of this report. The information below describes and quantifies certain compensation, in addition to that due pursuant to CSRS or FERS, that would become payable under existing plans and arrangements if the named executive officer's employment had terminated on September 30, 2008. Additionally, pursuant to statutes and regulations generally applicable to federal employees, the named executives would be entitled to receive the federal employer's standard contribution toward retiree health benefits, in the event they have qualifying service and participated in the Federal Employees Health Benefits Plan for the requisite period of time prior to retiring.

Deferred Compensation

All federal employees, including Postal Service employees, are subject to annual compensation limits established pursuant to federal statutes and regulations. When amounts earned by federal employees cannot be paid because of these compensation limits, these payments are deferred until a year in which their payment would not cause an employee's total annual compensation to exceed the compensation limit, or the year in which an employee leaves federal service, whichever occurs first. Additionally, as described in the note accompanying the Pension Benefits table in the Compensation section of this report, the Postmaster General's employment agreement provides for performance-based incentive payments; these are also deferred. When the Postmaster General concludes his Postal Service employment, all deferred earnings, plus interest, will be paid to him in ten annual installments, beginning in the tax year after the tax year in which he ends his Postal Service employment. Had the Postmaster General terminated his Postal Service employment on September 30, 2008, his first annual payment derived from his deferred compensation, commencing in 2009

would have been \$45,861; this annual installment would vary slightly thereafter, due to accumulated interest. In addition to the Postmaster General, named executive officers appearing in the Nonqualified Deferred Compensation table in the Compensation section of this report have deferred compensation in the amounts indicated therein. These amounts would be paid to them in lump sums shortly following their departure, had they ended their Postal Service employment on September 30, 2008.

Supplemental Pension Benefit

As described in the note accompanying the Pension Benefits table in the Compensation section of this report, the Postmaster General's employment agreement provides for a Postal Service pension benefit. The Pension Benefits table reflects the present value of this accumulated benefit. Had the Postmaster General terminated his employment as of October 1, 2008, his annual Postal Service pension benefit would have amounted to \$68,730.

Severance Payment

Pursuant to his employment agreement, the Postmaster General is entitled to a monthly severance payment, which when added to his CSRS benefits and Postal Service pension benefit, will equal 1/12th of his annual salary at the date of the termination of his Postal Service employment. This benefit would continue for one year after the Postmaster General leaves his employment with the Postal Service. Had he terminated his employment as of September 30, 2008, the annual value of this benefit would have been \$71,732. No other named executive officer may receive severance payments.

Insurance Benefits

The Postmaster General's employment agreement provides that for a period of one year after he leaves the Postal Service, he will be provided continuation of his medical, life and disability insurance coverage, subject to changes made in these programs as they apply to active officers of the Postal Service, and further, subject to the Postmaster General making the contributions required from active officers of the Postal Service. As a federal retiree, Mr. Potter would be entitled to participate in the Federal Employees Health Benefits (FEHB) Program and the Federal Employees' Group Life Insurance (FEGLI) Program in the manner available to all qualifying federal employees. As of September 30, 2008, the one year severance period value of the Postal Service's contributions to cover the extra cost of retiree premiums for this insurance coverage would be \$13,982.60. After the expiration of this one-year period, as a federal retiree, Mr. Potter

would be entitled to participate in the Federal Employees' Health Benefits (FEHB) Program in the manner available to all qualifying federal employees.

Outplacement Assistance

At the conclusion of his employment, the Postmaster General will be entitled to reasonable outplacement assistance by a provider selected by the Postal Service. This assistance may continue for up to two years from the date of the Postmaster General's separation from service. Had the Postmaster General separated from the Postal Service on September 30, 2008, the cost of this assistance for one year would have been \$10,500. In the event a second year's outplacement assistance is necessary, its cost might be slightly higher.

Accrued Annual Leave

All Postal Service employees are entitled to receive and accrue paid days off, known as annual leave. Upon their separation from the Postal Service, all postal employees, including the named executive officers, are entitled to be paid, in a lump sum, the value of all accrued annual leave. The table below shows the accrued value of the annual leave of the named executive officers, as of September 30, 2008.

Name	Value of accrued annual leave (\$)
John E. Potter	\$248,104
H. Glen Walker	\$ 29,615
Patrick R. Donahoe	\$125,423
Anthony J. Vegliante	\$256,538
Mary Anne Gibbons	\$ 19,462

Compensation Committee Report

The Compensation and Management Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation and Management Resources Committee recommended to the Board of Governors that the Compensation Discussion and Analysis be included in this Report.

The Compensation and Management Resources Committee

Carolyn Lewis Gallagher, Chairman

Ellen C. Williams, Vice Chairman

Louis J. Giuliano, Member

Katherine C. Tobin, Member

Compensation Committee Interlocks and Insider Participation

The Compensation and Management Resources Committee, composed of Chairman Gallagher, Vice Chairman Williams, Mr. Giuliano and Ms. Tobin, was responsible for making recommendations to the Board of Governors with respect to compensation decisions. There are no Compensation Committee interlocks and no Postal Service employee serves on the Compensation and Management Resources Committee.