ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Governors

We are governed by an eleven member Board composed of nine Governors appointed by the President of the United States with the advice and consent of the United States Senate, the Postmaster General and the Deputy Postmaster General. The three currently appointed Governors are noted in the table below:

Name, Age and Term of Office	Positions and Experience
James H. Bilbray, Acting Chairman of the Board of Governors, Age 77 Governor since August 2006. Term expiring December 2015.	Acting Chairman of the Board of Governors since December, 2014. Vice Chairman of the Board of Governors, 2012-2015. Member of the Compensation and Management Resources Committee. Attorney at the law firm of Kaempfer Crowell Renshaw Gronauer & Fiorentino in Las Vegas, Nevada. Former member, U.S. House of Representatives from Nevada (1987-95). Former member, Nevada State Senate (1981-87). Former Deputy District Attorney in Clark County, Nevada (1965-67). Member of 2005 Defense Base Closure and Realignment Commission.
Louis J. Giuliano, Chairman of the Temporary Emergency Committee Age 69 Governor since November 2004. Holdover Term expiring December 2015.	Past Chairman of the Board of Governors, 2010 and 2011. Vice Chairman of the Board of Governors, 2009. Chairman, Temporary Emergency Committee since December 2014. Chairman, Audit and Finance Committee and Operations Subcommittee, and member, Compensation and Management Resources Committee. Former Chairman of Board of Directors, President and Chief Executive Officer of ITT Corp. (2001-04). Senior Advisor at the Carlyle Group, on the board of Accudyne Industries, and active member of the CEO Forum and the Advisory Board for the Princeton University Faith and Work Initiative. Non-Executive Chairman, Vectrus Corp.
Ellen C. Williams, Governor, Age 58 Governor since August 2006. Holdover Term expiring December 2015.	Chairman of the Compensation and Management Resources Committee and a member of the Audit and Finance Committee. Partner in MML&K, a government relations firm with offices in Frankfort, KY and Washington, DC. Former owner and CEO of Capital Network (2006-12). Former Vice Chairman of the Kentucky Public Service Commission (2004-05). Former Commissioner of the Governor's Office for Local Development in Kentucky (2005-06). Former Chairman of the Republican Party of Kentucky (1999-2004). Former executive assistant to Senator Bob Kasten.

TEMPORARY EMERGENCY COMMITTEE

As referenced throughout this report, the Board is currently without a statutory quorum due to the failure of the U.S. Senate to act on the pending nominations for the Board. Given the loss of a statutory quorum, we filed a Federal Register notice that was published on December 16, 2014, which advised the public of actions taken during the November 2014 Board meeting to ensure that we continue to operate, notwithstanding the loss of a statutory Board quorum. During the November 2014 meeting, the Board adopted a resolution establishing the Temporary Emergency Committee ("TEC"), composed of the remaining members of the Board, to exercise those powers reserved to the Board that are necessary for continuity of operations.

The Governors also issued a resolution regarding the exercise of the powers vested solely in the Governors, as distinguished from the Board. The resolution clarifies that the inability of the Board to constitute a quorum does not inhibit or affect the authority of the Governors then in office to exercise those powers vested solely in the Governors, upon the concurrence of an absolute majority of the Governors then in office. For ease of use, references to the "Board" or the "Board of Governors" encompass the TEC as appropriate.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee ("Audit Committee") is composed of two Governors - Governor Giuliano, Chairman, and Governor Williams. The Board has determined that Governor Giuliano qualifies as an audit committee financial expert as defined by the rules of the SEC. All Audit Committee members are independent as defined by the rules of the SEC. Absent U.S. Senate confirmation of the pending nominations for the Board, of which at least one nominee qualifies as an audit committee financial expert, the Board will be left without an audit committee financial expert after December 8, 2015, when Governor Giuliano's term expires.

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE

The Compensation and Management Resources Committee ("Compensation Committee"), composed of Governor Williams, Chairman, Governor Giuliano and Governor Bilbray during 2015, was responsible for making recommendations to the Board with respect to compensation decisions.

Executive Officers

The Postal Service had eight executive officers as of September 30, 2015, as per the schedule below:

Name and Age	Positions and Experience
Megan J. Brennan Age 53	74th Postmaster General and Chief Executive Officer since February 2015 and a member of the Board since February 2015. Chief Operating Officer and Executive Vice President from December 2010 to February 2015. Previously, Vice President, Eastern Area Operations from December, 2006 to December, 2010, and Vice President, Northeast Area Operations from April, 2005 to December, 2006.
Ronald A. Stroman Age 63	20th Deputy Postmaster General and Government Relations Officer and member of the Board since April 2011. Served as Staff Director, Committee on Oversight and Government Relations at the U.S. House of Representatives, from 2009 to April, 2011. Prior to this, served as Managing Director, Office of Opportunity and Inclusiveness, U.S. General Accounting Office, from 2001 to 2009.
David E. Williams Age 50	Chief Operating Officer and Executive Vice President since February 2015. Previously, Vice President, Network Operations from December, 2006 to December, 2010, and Vice President, Engineering from April, 2005 to December, 2006.
Randy S. Miskanic Age 50	Acting Chief Information Officer and Executive Vice President since April 2015. Previously, Chief Information Security Officer and Vice President Digital Solutions from February 2013, to April 2015. Prior to that, served as Deputy Chief Postal Inspector of the United States Postal Inspection Service from June 2009 to February 2013.
Joseph Corbett Age 56	Chief Financial Officer and Executive Vice President since 2009 (except for a brief period from June 20 through September 30, 2012 when he served as Acting Chief Information Officer and Executive Vice President). Founder and Managing Director of FinSol, LLC, a finance and accounting CFO services firm from 2005 to 2009. Consultant, Chief Financial Officer and Executive Vice President of BearingPoint, Inc., a U.S. government contracting, consulting, and systems integration company, from 2004 to 2005. Executive Vice President and Chief Financial Officer of Intelsat, Ltd., from 1998 to 2004 and Intelsat Controller from 1995 to 1998.
James P. Cochrane Age 60	Acting Chief Marketing and Sales Officer and Executive Vice President since April 2015. Chief Information Officer and Executive Vice President from October 2013 to April 2015. Prior to that, served as Vice President, Product Information from May 2010 to October 2013; and Vice President, Ground Shipping from September 2008 to May 2010.
Thomas J. Marshall Age 53	General Counsel and Executive Vice President since May 2013. Previously, Deputy General Counsel from March 2009 to May 2013. Prior to that, Managing Counsel, Civil Practice, from February 2004 to March 2009.
Jeffrey Williamson Age 40	Chief Human Resources Officer and Executive Vice President since March 2013. Vice President, Pricing from June 2012 to March 2013. Postal Service MIT Sloan Fellow Representative from May 2011 to June 2012. Manager, Performance and Field Operations from September 2009 to May 2011. Prior to that, Manager, Network Development and Support from October 2006 to September 2009.

Code of Ethics

All of our employees are required to comply with the Standards of Ethical Conduct for Employees of the Executive Branch ("Standards"). The Standards are published in the Code of Federal Regulations ("CFR") at 5 CFR Part 2635 and cover prohibitions and restrictions on the acceptance of gifts, conflicting financial interests, the obligation of all employees to perform their duties impartially, restrictions on the misuse of government positions, restrictions on certain outside activities and other related ethical obligations.

Our employees are also covered by a set of additional restrictions that apply only to the employees of the Postal Service. These "Supplemental Standards" can be found at 5 CFR Part 7001 and focus on limitations on outside employment and outside business activities that could give rise to a conflict with their official duties.

The Standards and the Supplemental Standards contain many examples to help employees identify and resolve ethical issues. New employees receive ethics training at their orientation and ethics officials provide ethics training throughout the year as required by law and as otherwise deemed appropriate. To ensure that all of our employees can receive timely and accurate ethics advice, we have established a dedicated ethics telephone helpline and an email address that is managed by ethics specialists.

Certain high level employees are also subject to the Senior Financial Managers' Code of Ethics. This Code of Ethics can be found on the Postal Service's website at: www.about.usps.com/who-we-are/financials/senior-financial-managers-code-of-ethics-2010.pdf.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Board establishes executive officer compensation and benefits, subject to the requirements and limitations of federal law. The Board has delegated to its Compensation Committee authority for initial review of management proposals related to compensation and benefits for executive officers. The Compensation Committee, which meets several times throughout the year, is composed solely of presidentially-appointed, U.S. Senate-confirmed Governors who are independent of our management. The Compensation Committee makes recommendations to the full Board for their review and approval.

Set forth in Title 39 of the U.S. Code, federal law governing us provides that compensation and benefits for all of our officers shall be comparable to the compensation and benefits paid for comparable levels of work in the private sector of the economy. We are the second largest civilian employer in the nation, with approximately 622,000 career and non-career employees as of the end of 2015. We operate approximately 215,000 motor vehicles and approximately 32,000 retail units. In 2015, we delivered 154.2 billion pieces of mail, almost half of the world's mail, and generated approximately $68.8 billion in revenue. In 2015, we ranked 137th in *Fortune* magazine's listing of *Fortune Global 500* companies. By way of comparison, two of our largest competitors ranked 168th and 238th on this list. If we were listed on the *Fortune 500* annual ranking of America's largest corporations, we would be ranked 44th. The same two of our largest competitors are ranked 47th and 65th on that list.

Even as the economy continues to be challenged, comparably sized companies typically provide their top executives with annual salaries well in excess of $1 million and total compensation and benefits valued at several million dollars. These compensation packages typically consist of annual and long-term performance incentives, including a combination of cash payments and stock options and a number of benefits and perquisites.

Although our governing law provides that executives and others should be compensated at a level comparable to the private sector, the law does not afford the Governors the tools to achieve a standard of compensation comparable to the private sector. Compensation for our executive officers remains significantly below that of similarly-ranked senior executives in the private sector.

The law imposes three different caps on compensation for our employees. The first cap provides that no officer or employee may be paid compensation "at a rate in excess of the rate for level I of the Executive Schedule under section 5312 of title 5" of the U.S. Code. 39 U.S.C. §1003(a). In calendar year 2015, the upper limit on federal salaries rose 1% to $203,700.

With the approval of the Board, we may develop a program to award a bonus or other reward in excess of the compensation cap discussed above, as long as the total compensation paid to the officer in a year does not "exceed the total annual compensation payable to the Vice President [of the United States] under [3 U.S.C. §104] as of the end of the calendar year in which the bonus or award is paid." 39 U.S.C. §3686(a)-(b). In calendar year 2015, this cap rose 1% to $235,300. The Board may approve a program allowing for bonuses or other rewards if it determines, for the annual appraisal period involved, that the performance appraisal system for impacted employees makes meaningful distinctions based on relative performance.

In addition, the Board may allow up to 12 of our officers or employees in critical senior executive or equivalent positions to be paid total annual compensation up to "120 percent of the total annual compensation payable to the Vice President [of the United States] under [3 U.S.C. §104] as of the end of the calendar year in which such payment is received." 39 U.S.C. § 3686 (c). Based on the Vice President's salary for calendar year 2015, the compensation cap for calendar year 2015 was $282,360.

By law, our employees, including executive officers, are entitled to participate in either the CSRS or FERS, depending on when their federal employment began. As applicable to our officers, these retirement systems are described later in this *Compensation Discussion and Analysis*. In addition, in order to remain competitive with comparable employment in private industry and other parts of the federal government, our policy also authorizes certain additional benefits for all of our officers, including executive officers. These include participation in FEHB, paid life insurance, a periodic physical examination and parking. Other than changes required by law, the Board must authorize any increases to benefits for officers.

COMPENSATION PHILOSOPHY AND OBJECTIVES

The Board recognizes that a significant disconnect exists between the comparability requirement and the compensation caps in our governing law and that the various compensation caps do not enable the Board to provide compensation and benefits for executive officers that are fully comparable to those in the private sector. This is especially true given our current financial challenges. The Board also recognizes that many of the compensation and benefit tools available in the private sector, such as equity ownership, are not available to our employees given our status as part of the federal government. These limitations make it more difficult for us to competitively recruit in the marketplace for executive officers and to retain current executive officers.

To attempt to achieve some level of comparability within the confines of the law, the Board designed a compensation system intended to balance an executive's annual salary with the ability to earn additional compensation by meeting performance goals and objectives, and because of the compensation caps, a portion of this compensation might need to be deferred. The compensation system has not functioned as originally intended in that significant performance-based incentives have not generally been available to our officers since 2008.

For the past eight years, our officer compensation system has not worked as designed because we have faced significant financial challenges caused in part by the problems with our business model. We have taken significant steps, described elsewhere in this report, to reduce costs and generate revenue. However, we have sought and continue to need comprehensive legislative change to have much greater flexibility to reduce costs, generate new revenue and return to financial stability.

At the start of calendar year 2015, the compensation system operated pursuant to its terms, and eligible officers received an increase in their basic compensation and a performance lump sum payment. The increases in basic compensation in fiscal year 2015 were dependent upon performance, and averaged 3%. The amount of the performance lump sum payments issued in fiscal year 2015 was again based upon performance, and averaged 4%. Further, some non-executive officers received additional financial awards in fiscal year 2015 for outstanding performance on particular strategic projects in fiscal year 2014. However, our financial performance, and therefore our performance-based incentive payment system, continues to be negatively impacted by our flawed business model which can only be corrected through comprehensive postal reform legislation. Uncertainty about future payments and the viability of the compensation system continues to negatively impact retention and recruitment.

The increase in basic compensation in calendar year 2015 was preceded by a 1% increase in calendar year 2014 and six consecutive years before 2014 in which officer compensation was impacted by a freeze in salary and/or a non-payment of performance lump sums. By comparison, employees of other U.S. government entities only experienced a pay freeze for three years from 2011 through 2013. Employees of other U.S. government employers received a 1% increase in their basic compensation in calendar year 2014 and a 1% increase in their basic compensation in calendar year 2015, in addition to step increases and available awards. Furthermore the U.S. government pay freeze applied only to COLAs and not to longevity (step-increase) raises or performance awards.

Within the confines of its legislative authority and the financial constraints confronting us, the Board's compensation philosophy is that:

- There should be a strong connection between individual executive compensation and our performance on a number of dimensions, including service, net income and productivity;
- Compensation and benefits should be designed to attract and retain high performing executives to ensure that we have the caliber of executives who will enable us to operate at the highest levels of performance and productivity;
- Lump sum incentives should be set to motivate executives to improve performance continuously on a long-term basis and to perform above the annually-established goals and objectives. If individual performance exceeds the goals and objectives set for the year, the employee should receive additional compensation. Likewise, if overall performance falls below the annual goals and objectives, the individual should be paid less;
- A significant amount of the executive's compensation should be "at risk" and the "at-risk" amount should increase as the executive's level of responsibility increases;
- Innovation, effectiveness as an agent for change, the ability to balance day-to-day priorities and long-term strategies, and organizational value as defined by the achievement of key corporate goals and objectives should be rewarded;
- Executive compensation should be fair and equitable internally, recognizing the width and breadth of the responsibilities of our executives; and
- Executive success is defined by a number of factors, including financial returns, the quality of service we provide, the results achieved by the executive's actions to enhance the organization's efficiency and overcome challenges and whether an executive met established individual goals.

THE COMPENSATION PROGRAM

In 2007, with the assistance of an independent consulting firm specializing in executive compensation, the Compensation Committee recommended and the Board approved a salary band for the Postmaster General to be set at the legislative salary cap. In doing so, the Board's objectives were to design a compensation program that optimized the legislative flexibility granted by the PAEA, reduce internal pay compression, improve external marketplace competitiveness and honor legislative constraints and existing pay ranges. For the other executive officers, the Board set pay bands based on salary relationships of comparable executive officers in the external market. In general, the Board has maintained these types of pay band relationships since 2007.

When the Governors appointed Patrick R. Donahoe as the 73th Postmaster General, they set his salary at the legislative salary cap. Given our significant financial challenges that existed when he assumed office, Postmaster General Donahoe asked the Governors not to award him any additional compensation, beyond salary and the general types of benefits provided to our executives, and the Governors agreed. The current Postmaster General, Megan J. Brennan, likewise did not ask for any additional compensation beyond salary and the general types of benefits provided to our executives. When the Governors appointed Megan J. Brennan as the 74th Postmaster General, her salary was likewise set at the legislative salary cap.

Over the years, the Governors have authorized the Postmaster General to establish salaries for the other executive officers within the confines of the salary ranges established by the Governors. As noted above, for calendar year 2015, after reviewing recommendations from the Postmaster General and the Compensation Committee, the Governors approved the application of the Pay-for-Performance ("PFP") system according to its terms, which resulted in a raise of the salary ranges for some officers and an officer base salary increase by an average of 3%. Pursuant to the terms of the compensation system, performance lump sum payments were also issued in calendar year 2015 for 2014 performance that averaged 4%.

In fiscal year 2015, the Postal Service continued to employ a national performance assessment program ("NPA") to set annual performance goals and metrics that vary among executive officers and are weighted to reflect appropriately the degree to which an executive is able to influence our overall performance. Annual NPA metrics and targets generally take into consideration our performance during the prior year and particular challenges we expect to face during the upcoming year. The NPA places emphasis on objective, measurable performance indicators. The Governors also set individual metrics and targets for the Postmaster General and Deputy Postmaster General and authorize the Postmaster General to establish individual metrics and targets for other officers.

The officer compensation system is intended to operate as follows: The Board establishes annual PFP incentives to provide opportunities for the Postmaster General and the Deputy Postmaster General to earn enhanced compensation, directly tied to the level of their performance. The Postmaster General establishes annual PFP incentives for other officers, to provide them opportunities to earn increased compensation based upon their performance. Incentive payouts are not to be made for a particular goal if we or the individual fails to meet minimum acceptable performance standards. The payment of PFP incentives may sometimes be deferred for future payment where required due to the compensation caps discussed above.

Our economic challenges have prevented the officer compensation system from functioning properly for an extended period, and uncertainty persists on a yearly basis concerning whether salary increases or performance bonuses will be awarded. This uncertainty is largely driven by our flawed business model which limits our ability to be financially successful, and which can only be corrected by comprehensive postal legislation.

The Governors believe that this situation must be remedied in the near future, and are concerned that if this situation continues much longer, it will further erode our ability to retain highly-qualified individuals as officers and to recruit the best qualified individuals from the marketplace, if external hiring is deemed to be the best solution to fill critical officer vacancies. Additionally, our financial constraints, which largely are the products of structural defects that only Congress can remedy, have prevented us from fully complying with the statutory mandate that our officers be paid in a manner comparable with their private sector counterparts.

We continued to use the NPA process to measure performance during fiscal year 2015. NPA performance goals and rewards fall into several categories. These include areas that an officer may directly influence, such as service, efficiency, employee satisfaction and productivity, as well as those that are more susceptible to being impacted by general economic conditions, such as revenue generation.

For each goal, the Postmaster General establishes indicators identifying the type of performance that will enable us to achieve or surpass the goal. These performance indicators are aligned at the corporate, functional, and individual levels and are weighted. The higher an individual's position is in the organization, the more his or her PFP goals will be tied to overall corporate performance. The executive officers' goals are aligned with national performance goals and linked to our overall success.

Once the goals and indicators are established, executive officers are advised as to what is expected of them in terms of performance during the year, how their performance will impact us, and, in years when performance incentives are authorized, the potential level of performance-based incentives they can expect depending on their individual performance and the performance of us as a whole. Under this program, an individual executive officer can receive a numerical rating within a range of 1 to 15 depending on how we perform on the national indicators and the individual's performance, as determined by the Postmaster General.

An individual executive officer's performance rating would make the officer eligible for an increase to base salary, as well as for a performance-based lump sum payment. Due to statutory cap limitations, increases to the maximum of the salary range for executive officers would generally follow the percentage increase in the applicable statutory cap for any given year. Any salary increases for executive officers are limited by these maximums and are solely performance based, as determined by the Postmaster General.

Lump sum incentive payments would be aligned to the Postmaster General's rating of the executive officer's performance, based on the degree to which the individual achieved previously set individual goals and metrics. The Postmaster General's discretion on PFP incentives for executive officers in a given year is limited by our overall performance on NPA goals and metrics. Generally, officer performance scores must average to the Postal Service's overall NPA performance score for the fiscal year.

Salary increases, if any, are determined after the end of the fiscal year, and any new salaries become effective for the following calendar year. In making compensation decisions relating to fiscal year 2015 performance, the Governors noted that management achieved very significant accomplishments in addressing the many challenges we faced in the fiscal year. Despite a significant continuing decline in *First-Class Mail* volume over the past several years, management continued to take aggressive actions within its control to reduce costs, provide excellent service and secure revenue.

Despite the many significant accomplishments of our management team during fiscal year 2015, the Governors recognized the fact that we continued to face significant financial challenges. While these financial challenges result in part from the flawed business model and lack of reform, the Governors noted that comprehensive legislative change is needed to enable us to return to financial stability. The absence of legislative change has had, and will continue to have, a significant negative impact on our finances.

COMPONENTS OF OFFICER COMPENSATION AND BENEFITS

Base Salary

Base salaries provide a level of financial security that is appropriate for the executive's position. Within applicable law and our difficult financial condition, base salaries are to be scaled within pay ranges designed to be competitive with the market median. As discussed above, maximum payouts in a given year are set by federal law. Executive officer salaries are reviewed at least annually and adjusted, as appropriate and when permitted by financial constraints, to reflect individual performance, range of responsibilities, value and contribution to the organization, and experience. However, as discussed above, officer salaries have been frozen for five out of the last eight years.

Annual Incentive

Annual incentives serve as a mechanism for adjusting total compensation levels commensurate with the attainment of planned results, thereby ensuring affordability and appropriate performance that benefits us. As discussed above, we use the NPA to set annual corporate performance goals and metrics. The Governors set the goals and indicators for the Postmaster General and the Deputy Postmaster General, and the Postmaster General establishes goals and indicators for the other executive officers. The Postmaster General's and the Deputy Postmaster General's performance is determined based on the degree to which they have achieved previously set goals and metrics. Likewise, executive officers' individual performance ratings are determined by the Postmaster General based on the degree to which the individual has achieved the previously set goals and metrics.

Other Compensation Incentives

Executive officers are also eligible for performance awards for specific activities that reflect a high degree of leadership. The Governors authorized the Postmaster General to specify a limited budget for awards to non-executive officers in 2015, for exceptional accomplishments during fiscal year 2014. In addition, executive officers are eligible for recruitment, relocation and retention incentives designed to attract and retain highly talented and marketable individuals in key executive positions. The payment of some of these incentives may be deferred, in whole or in part, due to the compensation limits imposed on our employees as more fully discussed above.

Retirement Annuities

Officers are covered either by the CSRS or the FERS. Both systems have a defined benefit component and a defined contribution component. CSRS and FERS service is creditable for Medicare coverage. FERS service is creditable for Social Security.

CSRS Defined Benefit

The CSRS Basic Benefit annuity is based on a percentage of the high-3 salary multiplied by years of service. The percentage is 1.5% for the first 5 years of service, plus 1.75% from 5 years to 10 years of service and 2% for all years of service thereafter. Optional retirement thresholds are age 55 with 30 years of service, age 60 with 20 years of service, and age 62 with 5 years of service, with a requirement of completing at least 5 years of creditable civilian service. The annuity is fully indexed to the Consumer Price Index ("CPI"). Disability, early retirement, deferred and survivor benefits are available.

FERS Defined Benefit

The FERS Basic Benefit annuity is based on 1.0% of high-3 salary per year of service, or 1.1% for retirement at age 62 with at least 20 years of service. Optional retirement thresholds are the Minimum Retirement Age ("MRA") of 55 to 57 (depending on year of birth) with 30 years of service, age 60 with 20 years of service, age 62 with 5 years of service, or MRA with 10 years of service (at a reduced benefit), with a requirement of completing at least 5 years of creditable civilian service. Employees who retire at MRA with 30 years of service, or at age 60 with 20 years of service, receive a retirement supplement approximating the value of Social Security benefits attributable to federal service; this benefit is paid until age 62. Beginning at age 62, the annuity is indexed to CPI, fully when the CPI increase is 2% or less, at 2% when the CPI increase is between 2% and 3%, and at CPI - 1% when the CPI is at least 3%. Disability, early retirement, deferred and survivor benefits are available.

Defined Contribution

The TSP has a component that mirrors traditional 401(k) plans and an option similar to Roth plans. CSRS and FERS employees may contribute up to the indexed IRS maximum ($18,000 in 2015). We do not make TSP contributions for CSRS employees. For FERS employees, we make an automatic contribution of 1% of basic pay and match a percentage of voluntary employee contributions for up to an additional 4% of basic pay. Employees who will be at least age 50 in the year of contribution may make a separate catch-up contribution up to the indexed IRS maximum ($6,000 in 2015). TSP investment options are a government securities fund; index funds that track the Barclays Capital Aggregate Bond Index, the S&P 500, the Dow Jones

U.S. Completion TSM Index, and the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) stock index; and lifecycle funds.

Supplemental Non-Qualified Deferred Compensation
Where appropriate and on a highly selective basis, we have offered supplemental non-qualified deferred compensation as a recruitment or retention tool.

Life Insurance
Officers are entitled to basic group life insurance coverage under the Federal Employees Group Life Insurance ("FEGLI") program in the amount of their annual basic salary, rounded up to the next $1,000, plus $2,000. If basic coverage is held, an officer will also receive an additional $10,000 coverage ("Option A") and Option B coverage up to three times their salary. We pay all premiums for Option A, Option B and basic coverage.

At their own expense, officers may elect additional Option B coverage in an amount equal to two times their salary. Also at their own expense, officers may elect Option C, family optional insurance coverage, of up to 5 multiples of $5,000 for their spouse and $2,500 for each eligible dependent child. Officers continuously covered under FEGLI for the 5 years of service immediately preceding retirement, or since the first opportunity to enroll, may continue coverage during retirement (if entitled to an immediate annuity). We pay retired officers an actuarially determined lump sum to cover the cost of Option A premiums during retirement.

Health Benefits
We participate in the FEHB, which allows all career employees to enroll in one of a number of self only, self-plus-one or self and family health benefit plans offered. We pay a portion of the cost of the premium for our officers and executives.

Beginning in January 2012 and continuing over a three-year period, we increased the percentage that our officers and executives' pay for these benefits until the percentage matched the percentage paid by employees of other U.S. government entities. In 2012, our share of the premium was reduced from 100% to 91%. In 2013, our share of the premium was reduced to 82% of the federal weighted average premium, limited to not more than 85.5% of the total premium for any given plan, and enrolled officers and executives paid the balance of the premium for the plan they selected.

In 2014, the Postal Service's share of the premium was further reduced to 72% of the federal weighted average premium, limited to not more than 75% of the total premium for any given plan, and enrolled officers and executives pay the balance of the premium for the selected plan. This is the same benefit provided to employees of other U.S government entities. In 2015, the portion we paid remained at 72% of the federal weighted average premium, limited to not more than 75% of the total premium for any given plan, and enrolled officers and executives paid the balance of the premium for the selected plan. Employees who retire with immediate entitlement to an annuity are eligible to continue FEHB coverage into retirement as long as they have participated in FEHB for the five years preceding their retirement or since their first opportunity to enroll.

Other Benefits
To remain competitive in the marketplace, we offer the following additional benefits to our executive officers: periodic physical examinations, parking, financial counseling services and membership in up to two airline clubs per year. In November 2015, the Governors, in connection with their annual review of the compensation and benefits for the Postmaster General and Deputy Postmaster General, clarified and updated their policies to provide that the Postmaster General and Deputy Postmaster General are entitled to a separation payment in an amount of one year's salary if either is asked to separate from the Postal Service for any reason other than cause and they are otherwise not eligible for immediate retirement (not including early retirement, discontinued service retirement, or retirement at the minimum retirement age with less than 30 years of service). Severance may be paid in a single lump sum payment or in bi-weekly payments following the date of separation from the Postal Service.

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE REPORT

The Compensation Committee members have reviewed and discussed this *Compensation Discussion and Analysis* with management and, based on such review and discussions, the Compensation Committee members recommended to the Governors that this *Compensation Discussion and Analysis* be included in this report.

/s/ Governor Ellen C. Williams, Chairman
/s/ Governor Louis J. Giuliano
/s/ Governor James H. Bilbray

Summary Compensation Table

The following table presents information regarding the compensation of our six most highly compensated executive officers (the “named executive officers”):

Name and principal position	Year	Salary ($)	Bonus ($)	Non-equity incentive plan compensation ($)	Change in pension value and non-qualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
[1]Megan J. Brennan, *Postmaster General & CEO*	FY15	266,981	-	9,500	110,429	28,381	415,291
	FY14	236,536	20,000	-	77,271	17,848	351,655
	FY13	235,000	-	-	87,447	18,475	340,922
[1]Patrick R. Donahoe, *Former Postmaster General & CEO*	FY15	102,321	-	-	(62,846)	8,699	48,174
	FY14	278,538	-	-	53,064	16,941	348,543
	FY13	276,840	-	-	145,321	14,379	436,540
Joseph Corbett, *Chief Financial Officer & Executive VP*	FY15	246,404	-	44,700	40,634	21,932	353,670
	FY14	240,563	-	35,000	36,379	19,432	331,374
	FY13	239,000	-	35,000	29,504	18,981	322,485
[2]James P. Cochrane, *Chief Information Officer & Executive VP*	FY15	239,702	-	9,400	279,722	10,563	539,387
	FY14	230,135	-	-	226,128	9,349	465,612
	FY13		-	-	-	-	-
Thomas J. Marshall, *General Counsel & Executive VP*	FY15	238,926	15,000	9,300	99,035	18,821	381,082
	FY14	231,504	-	-	69,064	18,568	319,136
	FY13	199,820	-	-	42,211	12,848	254,879
[3]David E. Williams Jr., *Chief Operating Officer & Executive VP*	FY15	223,458	-	7,600	88,153	17,542	336,753
	FY14	-	-	-	-	-	-
	FY13	-	-	-	-	-	-

Notes:
[1]Mr. Donahoe was Postmaster General through February 1, 2015. Ms. Brennan was appointed Postmaster General and CEO as of February 2, 2015; therefore, the salaries shown above reflect compensation as Chief Operating Officer for FY15 (prior to February 2), FY14, and FY13.
[2]Mr. Cochrane was not a named executive officer in FY13 and, as such, information for fiscal year 2013 is not reported
[3]Mr. Williams was not a named executive officer in FY14 or FY13 and, as such, information for fiscal years 2014 and 2013 are not reported

Column (d) Ms. Brennan received an award in FY14 for efficiency / cost savings initiatives while in the position of Chief Operating Officer. Mr. Marshall received a Board of Governor's award in FY15.

Column (e) The amounts in this column reflect the performance-based incentive compensation awarded to executive officers for performance in prior fiscal years; as noted above, this incentive compensation was not awarded for FY13. Any amounts that could not be paid to an executive officer, due to the compensation cap or their contract, were deferred for future payment and are also reflected in the non-qualified deferred compensation table below.

Column (f) Mr. Donahoe and Mr. Cochrane participate in the Civil Service Retirement System (“CSRS”), which is a defined benefit plan. Ms. Brennan, Mr. Corbett, Mr. Marshall and Mr. Williams participate in the Federal Employees Retirement System (“FERS”), a portion of which is a defined benefit plan. The calculation of retirement annuities under CSRS and FERS is explained in the Pension Benefits table, the associated note and in the Retirement Annuities section of the Compensation Discussion and Analysis. The amounts shown in column (f) for each of these individuals are the amounts by which the value of their annuities has changed since the end of the prior fiscal year. “Non-qualified 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 FY15, FY14, or FY13, with the exception of Mr. Corbett, whose above-market earnings on deferred income were $1,320 in FY15, $1,008 in FY14, and $721 in FY13.

Grants of Plan-Based Awards

The following table presents information regarding potential non-equity incentive awards to the named executive officers for 2015. Whether a named executive officer receives an award and, if so the amount of an award for 2015 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)
Megan J. Brennan	October 2014	15,022	33,883	105,885
Patrick R. Donahoe	October 2013	0	0	0
Joseph Corbett	October 2014	13,227	29,836	93,237
James P. Cochrane	October 2014	12,867	29,024	90,701
Thomas J. Marshall	October 2014	12,867	29,024	90,701
David E. Williams Jr.	February 2015	12,867	29,024	90,701

Note: Columns (c)-(e). The USPS PFP program relies on a 15-point scale with clearly defined and transparent corporate goals. The PFP plan target in any given year is set at a rating of 6. The maximum threshold for payment is set at a rating of 15. Individual ratings vary but the corporate score is used as the regulator. Given the Postal Service's financial condition, any individual award is unlikely to exceed the target amount listed in the table so that the maximum amount listed in the table is entirely unrealistic.

Pension Benefits

The following table shows the present value of accumulated pension benefits payable to the named executive officers as of September 30, 2015:

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit ($)
(a)	(b)	(c)	(d)
Megan J. Brennan	FERS Annuity	29 Years	877,617
Patrick R. Donahoe	CSRS Annuity	40 Years	3,894, 591
Joseph Corbett	FERS Annuity	7 Years	195,345
James P. Cochrane	CSRS Annuity	41 Years	3,163,420
Thomas J. Marshall	FERS Annuity	20 Years	563,170
David E. Williams Jr.	FERS Annuity	28 Years	622,853

Note: All named executive officers are eligible for CSRS or FERS retirement benefits available to career employees of the Federal Government. These benefits are described in the Retirement Annuities section of the Compensation Discussion and Analysis. The present value of the accumulated CSRS or FERS benefit represents the value of the pension over the individual's actuarial lifetime, as of September 30, 2015. Mr. Cochrane participates in CSRS, and Ms. Brennan, Mr. Corbett, Mr. Marshall and Mr. Williams participate in FERS. Mr. Cochrane is eligible for retirement, the calculation of which is described in the Retirement Annuities section of the Compensation Discussion and Analysis. The valuation for Ms. Brennan, Mr. Corbett, Mr. Marshall and Mr. Williams assumes that they have satisfied vesting requirements for retirement; however, because of their current tenure with the Postal Service, their retirement annuities have not fully vested. As noted above, Mr. Donahoe retired February 1, 2015.

Non-qualified Deferred Compensation

The following table presents contributions to, and earnings on, the named executive officers' deferred compensation during 2015:

Name	Executive contributions in last FY ($)	Aggregate earnings in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at September 30, 2015 ($)
(a)	(b)	(c)	(d)	(e)
Megan J. Brennan	10,156	370		10,526
Patrick R. Donahoe	0	248	9,029	0
Joseph Corbett	35,000	8,995		230,532

Notes: Column (b) The amounts in this column represent amounts deferred due to the compensation cap or contract agreements. The amount shown for Mr. Corbett reflects the lump-sum performance retention payment required by his employment agreement which has been deferred.

Column (c) The Postal Service calculates interest on deferred compensation semi-annually at 5.0% per year for Mr. Corbett per contract, others are calculated at the Federal Long Term Rate; 4.43% in FY15. Interest is prorated from the relevant pay period of the deferral. Interest was added to Mr. Donahoe's account for the portion of the calendar year earned, and the balance of his deferred account was closed in May 2015 according to USPS policy.

Potential Payments Upon Termination

As described in the Compensation Discussion and Analysis, in 2009 the Postal Service entered into an employment agreement with Joseph Corbett, the Chief Financial Officer, for recruitment and retention purposes. Mr. Corbett's agreement provides for deferred compensation payable in installments commencing on the date of his separation from the Postal Service or October 22, 2019, whichever is later.

The Postmaster General and all of the other named executives are subject to the standard policies governing the CSRS or 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 Executive Officer 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, 2015. 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 total annual compensation paid to the employee to exceed the compensation limit, or the year in which an employee leaves federal service, whichever occurs first.

Named executive officers appearing in the non-qualified deferred compensation table in the Executive Officer Compensation section of this report have deferred compensation in the amounts indicated therein. These amounts would have been paid to them in a lump-sum or pursuant to their contract with the Postal Service following their departure, had they ended their Postal Service employment on September 30, 2015. Mr. Corbett's employment agreement provides for deferred incentives linked in part to his performance. Mr. Corbett began accruing deferred performance-based compensation at the end of Fiscal Year 2010. When Mr. Corbett concludes his Postal Service employment, or on October 22, 2019, if that date is later than Mr. Corbett's departure from the Postal Service, his deferred compensation will be paid to him in three approximately equal annual installments.

Supplemental Pension Benefit

The Governors have not authorized a supplemental pension benefit for any executive officer at this time.

Severance Payment

Mr. Corbett is entitled to a severance payment of $230,000, in the event the Postal Service terminates his employment for any reason other than for cause or breach of contract.

Insurance Benefits

The Governors have not authorized supplemental insurance benefits for any executive officer at this time. The insurance benefits to which all postal executives are entitled are described above.

Outplacement Assistance

The Governors have not authorized any outplacement assistance for any executive officer at this time.

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 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, 2015:

Name	Value of accrued annual leave ($)
Megan J. Brennan	120,953
Patrick R. Donahoe	0
Joseph Corbett	78,415
James P. Cochrane	31,280
Thomas J. Marshall	42,792
David E. Williams	0

Board of Governors Compensation

The following table presents information regarding the compensation of the members of the Board of Governors during fiscal year 2015:

Name	Fees earned or paid in cash ($)	All other compensation ($)	Total ($)
Mickey D. Barnett	7,767	-	7,767
James H. Bilbray	36,900	-	36,900
Louis J. Giuliano	38,100	-	38,100
Ellen C. Williams	35,700	-	35,700

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.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Not applicable. As an "independent establishment of the executive branch of the Government of the United States," we do not issue equity securities.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Certain Transactions

We enter into significant transactions with other government agencies, as disclosed throughout this report and the financial statements.

Director Independence

All of the Governors of the Postal Service Board of Governors who are currently serving and have been appointed by the President of the United States, with the advice and consent of the U.S. Senate, are independent based on the New York Stock Exchange definition of independence.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Annually, the Audit Committee reviews and pre-approves the audit services to be provided by our independent auditors. The Audit Committee must approve other specific services before the independent auditors may perform such services. The Audit Committee also has delegated to the Committee Chairman pre-approval authority with respect to permitted services, provided that the member must report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Audit fees totaled approximately $10 million and $11 million for the years ended September 30, 2015, and 2014, respectively. Audit fees include fees for professional services associated with the annual audit, the reviews of the Postal Service's quarterly reports on Form 10-Q and testing of the company's internal control over financial reporting. The Postal Service did not incur any other fees from its independent auditors.