



Fiscal Year 2022 Integrated Financial Plan

EXECUTIVE SUMMARY

In fiscal year 2021,¹ the Postal Service exceeded last year's projection with a net loss of \$4.9 billion, \$4.8 billion better than the projection of \$9.7 billion. This improvement over plan was largely due to revenue higher than projected and a non-cash adjustment to our workers' compensation liabilities; these impacts were partially offset by higher expenses than planned for compensation and benefits, transportation, supplies and services and retiree health benefits (RHB) normal cost. Higher expenses than planned were largely due to increased volume and inflationary pressures. We project an \$8.4 billion loss in 2022.

Our 10-year strategic plan, "Delivering for America," includes legislative and administrative reforms that must be enacted by Congress or the Administration. These reforms, if enacted in time, would eliminate RHB normal cost, RHB amortization, and Civil Service Retirement System (CSRS) amortization payments in 2022. The table below shows our planned 2022 net loss with and without these reforms.

Statement of Operations				
In Billions	FY2021 Actual	FY2021 Plan	FY2022 Plan	FY2022 Plan w/ RHB and CSRS reform
Total Revenue	\$ 77.1	\$ 70.9	\$ 77.5	\$ 77.5
Controllable Expenses ¹	<u>79.5</u>	<u>76.5</u>	<u>81.6</u>	<u>77.3</u>
Controllable Income¹	\$ (2.4)	\$ (5.6)	\$ (4.1)	\$ 0.2
RHB Normal Cost Actuarial Revaluation ²	(0.3)	-	-	-
RHB Unfunded Liability Amortization	(0.9)	(0.9)	(1.0)	-
Workers' Comp. Fair Value and Other Non-Cash Adj.	2.0	-	-	-
FERS Unfunded Liabilities Amortization	(1.4)	(1.4)	(1.4)	(1.4)
CSRS Unfunded Liabilities Amortization	<u>(1.9)</u>	<u>(1.8)</u>	<u>(1.9)</u>	<u>-</u>
Net Loss	<u>\$ (4.9)</u>	<u>\$ (9.7)</u>	<u>\$ (8.4)</u>	<u>\$ (1.2)</u>
Mail Volume (Pieces)	128.9	116.0	124.0	124.0

1 - Before Retiree Health Benefits (RHB), Federal Employee Retirement System (FERS), and Civil Service Retirement System (CSRS) unfunded liability amortization payments, RHB normal cost actuarial revaluation and non-cash adjustments to workers' compensation liabilities.

2 - Reflects excess of RHB normal cost over forecast amount as reflected in the request for payment received from OPM.

In addition to net loss, we track controllable loss, a non-GAAP measure, which is calculated by excluding RHB, Federal Employee Retirement System (FERS) and CSRS unfunded liability amortization payments, RHB normal cost actuarial revaluation, and non-cash adjustments to workers' compensation liabilities. These expenses are highly sensitive to changes in actuarial assumptions and management has little or no control over them in the short term. Controllable loss for 2021 was \$2.4 billion, \$3.2 billion better than the planned \$5.6 billion. We project a \$4.1 billion controllable loss in 2022.

Revenue is projected to increase by \$0.4 billion in 2022. We anticipate that the surge in revenue from consumer behavior changes during the COVID-19 pandemic will subside somewhat in 2022. As volumes decline, we will work to reduce costs, though these efforts are hampered by a relatively rigid infrastructure and increasing inflation. We currently plan for a net loss of \$8.4 billion and a controllable loss of \$4.1 billion.

Controllable expenses in 2022 are planned to increase by \$2.1 billion (2.6%). The biggest contributor to this increase is an expected increase in compensation and benefits expenses, despite a planned decrease

¹ Unless otherwise stated, all references to years refer to the postal fiscal year, which runs from October 1 of the preceding calendar year to September 30. References to fiscal quarters refer to quarters of that year.

of 18 million work hours. RHB and FERS normal cost expenses are also expected to increase. Non-personnel expenses are projected to increase because of increased investment and modernization.

FERS and CSRS amortization payments are projected to remain at their 2021 levels, while we forecast a \$100 million increase in RHB amortization expenses. The non-cash portion of the workers' compensation expense, or the non-cash change to the workers' compensation liability, depends on actuarial assumptions, interest rates, and other factors that are outside of management's control. We assume no change in these variables, implying a value of zero for the non-cash workers' compensation expense.

The Postal Service continues to face unsustainable net losses and has insufficient liquidity to fulfill its universal service obligations, fully fund all legally required financial obligations, maintain cash reserves for contingencies, and make necessary capital investments. Given the vital role the Postal Service plays in the U.S. economy, a financially healthy and stable Postal Service should be a top priority for all stakeholders, from legislative and regulatory bodies to management, employees, and customers.

ECONOMIC ASSUMPTIONS

Revenue and expense projections take account of many factors, including multi-year trends in product sales, the impact of increased competition, planned price changes, projected rates of inflation, the expected rate of migration of hard-copy mail to digital media, and the expected state of the economy. At the time this plan was developed, the economy was projected to grow robustly in 2022, with employment, wages, real disposable income, and consumer spending expected to grow. Unemployment is expected to continue falling, as payrolls increase, and the participation rate remains low. Inflation, which has remained low for years, is expected to rise, partly due to a constrained supply of goods and services. There is also considerable uncertainty on how COVID-19 will affect the behavior of governments, businesses, and consumers.

Economic Drivers		
	FY2021	FY2022 Forecast
Gross Domestic Product	3.6%	4.2%
E-commerce Growth	20.2%	4.7%
Consumer Price Index for All Urban Consumers (CPI-U)	3.3%	3.7%
Consumer Price Index for Urban Wage and Clerical Workers (CPI-W)	3.7%	3.9%
Employment	0.5%	4.2%
Retail Sales Growth	16.0%	5.6%
Energy Cost Inflation	4.2%	3.8%

Significant business-specific risks remain. Market Dominant mail volumes continue to decline as mailers migrate to digital solutions for communication, transactional and advertising needs. Market Dominant volumes declined only slightly in 2021, partly due to the influence of political and election mail but are expected to decline in 2022.

Though package volume increased in 2021, it is expected to decline in 2022 as consumers begin to return to pre-pandemic norms. Volumes depend considerably on the decisions of businesses and on government policies, which affect access to in-store shopping, and on consumer behavior. The expected decline in e-commerce growth significantly affects our projections of package volumes.

A. Volume

The 2022 IFP projects total mail and package volume of 124 billion pieces, a decline of 4.9 billion pieces (3.8%) from 2021.

We project a decline for First-Class Mail of approximately 1.7 billion pieces (3.4%), reflecting the ongoing migration of communications and transactions out of First-Class Mail into electronic media. The rate of decline is somewhat exacerbated by the effects of the COVID-19 pandemic; further, Census and stimulus check mailings bolstered First-Class Mail volumes in 2020. Bill and statement volumes are expected to decline modestly as customers increasingly accept bills and statements electronically, and often in response to incentives by companies for making the switch. First-Class Mail single-piece volumes are expected to decline more rapidly, continuing the recent trend of electronic diversion.

Volume		
Billion pieces	FY2021	FY2022
First-Class Mail	50.7	49.0
Marketing Mail	66.2	63.9
Periodicals	3.7	3.5
Shipping and Packages	7.6	6.9
International	0.4	0.4
Other	0.3	0.3
Total Volume	128.9	124.0

USPS Marketing Mail volume is expected to decline about 2.3 billion pieces (3.5%) compared to 2021. Marketers continue to leverage technology to better target customers and increase their investment in digital advertising at the expense of hard-copy media, and the pandemic appears to have accelerated this trend. The pandemic had an immediate, significant, negative impact on Marketing Mail volumes beginning in March 2020, although volumes recovered somewhat later in the year, partly because of increased volumes of political and election mail.

Periodicals volume is expected to decline by approximately 0.2 billion pieces (5.1%) as newspaper and magazine readership continues to migrate to online media, a trend that appears to have accelerated in 2021.

Domestic Shipping and Packages volume is expected to decline by 0.7 billion pieces (8.5%). The surge in volume generated by the pandemic is anticipated to lessen in 2022, with volumes for most categories of packages elevated relative to pre-pandemic levels, but lower than their peak in the summer of 2020. Volume will also be dampened by increased competition and by the effect of revenue-generating price increases. Parcel Select volumes are expected to decline because of the insourcing strategies of some of our largest customers.

International mail and package volume is expected to be flat. However, there is considerable uncertainty around this product, as the impact from the use of self-declared rates started in July 2020 for Inbound Letter Post small packages is still being felt. In addition, the COVID-19 pandemic is expected to continue to impact international commerce in 2021.

B. Revenue

Revenue in 2022 is expected to increase by \$0.4 billion (0.5%) compared to 2021. This increase is driven by Market-Dominant product price changes of approximately 6.8% in August 2021 and an additional price increase in July 2022, as well as a Competitive product price increase of approximately 4.2% in January 2022.

In November 2020, after years of considering various rate-setting options and the feedback of stakeholders, the Postal Regulatory Commission (PRC) issued Order No. 5763. In this order, the PRC determined that the existing cap for price increases for Market-Dominant products was too restrictive and set forth a new system for determining the cap. The cap for Market Dominant price increase is now set at CPI-U, plus additional cap space to account for our decreasing deliveries per delivery point and the burden of our FERS, CSRS, and RHB amortization expenses. Further, underwater products, which include all Periodicals and Market Dominant Package Services, are allowed an additional 2% price increase.

Revenue		
In Billions	FY2021	FY2022
First-Class Mail	\$ 23.3	\$ 24.2
Marketing Mail	14.6	15.2
Periodicals	1.0	1.0
Shipping and Packages	32.0	30.6
International	2.2	2.2
Other	4.0	4.3
Total Revenue	\$ 77.1	\$ 77.5

Revenue from domestic Market-Dominant products is expected to increase by \$1.7B (4.0%) in 2022 due to price increases, despite volume declines. First-Class Mail revenue is expected to increase by \$0.9 billion (3.9%), Marketing Mail revenue is expected to increase by \$0.6 billion (4.1%), and Periodicals Revenue is expected to increase by about \$40 million (3.7%).

Domestic shipping and package revenue is an increasingly important component of total revenue and is expected to account for approximately 39% of total revenues in 2022. However, revenue from this competitive category is expected to decline by \$1.4 billion (4.5%) due to increased competition and attenuation of the peak pandemic package volumes.

International mail revenues are expected to remain flat. Revenue from other products and services is expected to increase by about \$0.3 billion (7.6%), primarily due to price increases.

2022 OPERATING PLAN – WORK HOURS & EXPENSES

The 2022 IFP projects total work hours of 1,173 million, a reduction of 18 million (1.5%) compared to 2021, driven by initiatives to improve efficiency and by work hour and complement management efforts in response to lower volumes. Controllable expenses are projected to increase by \$2.1 billion (2.6%).

Salaries and benefits expenses are projected to increase by \$0.8 billion (1.6%), despite the planned reduction in work hours. This is largely due to increased inflation projections, resulting in high cost of living adjustments. In 2021 our employees received the highest cost increase they had received in years, and the full impact of this increase will be felt in 2022. FERS normal cost is projected to increase by \$0.3 billion (7.3%) due to higher government-wide contribution rates mandated by the Office of Personnel Management (OPM). Our projection for RHB normal cost is also \$0.4 billion higher (10.3%) than last year, based on revised actuarial assumptions used by OPM.

Expenses			
(in billions)	FY2021 Actual	FY2021 Plan	FY2022 Plan
Salaries and Benefits	\$ 51.4	\$ 49.5	\$ 52.2
FERS Normal Cost	4.1	4.1	4.4
RHB Normal Cost (Controllable) ¹	3.9	3.9	4.3
Transportation	9.7	8.7	9.6
Depreciation	1.7	1.7	1.7
Supplies & Services	2.9	3.1	3.2
Rent / Utilities / Other	5.8	5.5	6.2
Controllable Expenses²	\$ 79.5	\$ 76.5	\$ 81.6
RHB Normal Cost Actuarial Revaluation ¹	0.3	-	-
RHB Unfunded Liability Amortization	0.9	0.9	1.0
Workers' Comp. Fair Value and Other Non-Cash Adj.	(2.0)	-	-
FERS Unfunded Liabilities Amortization	1.4	1.4	1.4
CSRS Unfunded Liabilities Amortization	1.9	1.8	1.9
Total Expenses	\$ 81.1	\$ 80.6	\$ 85.9

1 - RHB normal cost is the sum of RHB normal cost (controllable) and RHB normal cost actuarial revaluation.

2 - Before RHB, FERS and CSRS unfunded liability amortization payments, RHB normal cost actuarial revaluation and non-cash adjustments to workers' compensation liabilities.

Transportation expenses are expected to decrease by \$0.1 billion in 2022. In 2021, we were forced to shift volume from commercial air carriers to more expensive charters, due to a scarcity of flights. The 2022 IFP assumes that commercial air lift will be at or near full capacity; if this is not the case, then it is likely transportation costs will be above plan.

Supplies and services expenses in 2021, though below plan, were pressured by unplanned costs for facility cleaning and personal protective equipment to safeguard our employees and customers. This pressure is expected to continue in 2022. Further, expenses in this category will support the additional capital investments required for the "Delivering for America" strategic plan (discussed in more detail below). Consequently, we plan for a \$0.3 billion increase in supplies and services in 2022.

Rent, utilities and other expenses are projected to increase by \$0.4 billion. This is, also, in part to support capital investments and modernization for the Delivering for America strategic plan. Rents will increase due to the acquisition of additional annexes to process packages more efficiently. Inflationary pressures are also expected to drive up costs, especially for fuel, utilities, and parts.

2022 CAPITAL PLAN

A. Capital Investments - Commitments

The 2022 capital plan calls for capital commitments of \$8.1 billion across four categories. Capital commitments provide a view of future capital obligations that ultimately lead to cash outlays, often over a period of years.

Capital Commitments				
In billions	5 - Year Avg. (2016-2020)	FY2020 Actual	FY2021 Actual	FY2022 IFP
Facilities	\$0.7	\$0.8	\$0.7	\$1.1
Processing Equipment	\$0.3	\$0.2	\$1.0	\$1.4
Vehicles	\$0.4	\$0.5	\$0.5	\$4.7
IT, Postal Support Equipment & Other	\$0.2	\$0.2	\$0.2	\$0.9
Total	\$1.6	\$1.7	\$2.4	\$8.1

Facilities

The 2022 capital commitment plan for facilities is \$1.1 billion and represents approximately 14% of the total capital commitment plan. These investments are primarily for building improvements, which include repairs and alterations to aging buildings, and facility modifications that are necessary to accommodate current deficiencies and future operational needs. In addition, funds are included for construction and building purchases.

Processing Equipment

The 2022 capital commitment plan for mail processing equipment is \$1.4 billion and represents approximately 17% of the total capital commitment plan. These investments are focused on increasing capacity, increasing productivity, and reducing operating costs through the focused deployment of new equipment, improving existing equipment, or upgrading obsolete components. These investments will also support service performance for mailers, shippers, and package services customers.

Vehicles

The 2022 capital commitment plan for vehicles is \$4.7 billion or 58% of the total commitment plan. These vehicle investments will replace existing vehicles that are well past their expected useful lives or deemed necessary due to high maintenance costs. These investments will also expand the delivery fleet to cover additional rural routes with Postal Service vehicles. The new vehicles, which will consist primarily of delivery vehicles, will have better fuel efficiency, higher safety standards and lower maintenance costs than those they are replacing, which will result in cost savings and safer vehicles.

Information Technology and Postal Support Equipment

The 2022 capital commitment plan for the information technology (IT) and Postal Support Equipment category is \$0.9 billion, or approximately 11% of the total plan. Investments in this category include Cybersecurity-related investments, enhancements to mail scanning and tracking systems, systems updates, as well as upgrades and enhancements to computer hardware, servers, storage systems, and software development. The plan also includes modernization of IT infrastructure, including payroll budget systems and transportation and logistics management.

B. Capital Investments - Cash Outlays

Capital cash outlays are expected to increase by \$0.6 billion compared to 2021, based on the expected timing of 2022 commitments and outlays on previously committed programs. Cash outlays for 2022 are for similar items as described on the prior page for capital commitments.

Capital Cash Outlays				
In billions	5 - Year Avg. (2016-2020)	FY2020 Actual	FY2021 Actual	FY2022 IFP
Facilities	\$0.6	\$0.9	\$0.8	\$0.6
Processing Equipment	\$0.3	\$0.3	\$0.5	\$0.7
Vehicles	\$0.3	\$0.4	\$0.5	\$0.5
IT, Postal Support Equipment & Other	\$0.2	\$0.2	\$0.1	\$0.8
Total	\$1.5	\$1.8	\$1.9	\$2.5

2022 DEBT LIQUIDITY AND FINANCING PLAN

We ended 2021 with unrestricted cash of \$23.9 billion, \$0.4 billion of restricted cash and \$11.0 billion of debt. Our total theoretical unrestricted liquidity was \$27.9 billion, consisting of the unrestricted cash and \$4.0 billion of available borrowing capacity under our statutory debt ceiling of \$15 billion. This level of liquidity was achieved by defaulting on payments to the CSRS, FERS and RHB funds totaling \$71.6 billion from 2012 through 2021, by availing ourselves of the opportunity offered under the CARES Act of deferring \$1.8 billion in employer Social Security contributions through September 30, 2021, and because of \$10 billion in additional funding under the CARES Act. We have a scheduled debt repayment of \$1.0 billion in April 2022.

Our balance sheet shows the impact of 15 consecutive years of net losses; however, our retirement and RHB programs continue to be well-funded compared to the rest of the civilian government. Our CSRS obligations are 81% funded, compared to 5% for the rest of the government; our FERS obligations are 82% funded, compared to 76% for the rest of the government; and our RHB obligations are 36% funded, while the rest of the government does not pre-fund these obligations at all.

As of September 30, 2021 Total liabilities, including amounts payable to retirement funds, exceed assets by \$75.7B

<u>Assets</u>		<u>Liabilities & Net Deficiency</u>	
Unrestricted Cash	\$23.9B	Retirement & Retiree Health Benefits	\$71.9B
Restricted Cash	\$0.4B	Workers' Compensation	\$18.2B
Land, Buildings & Equipment, net	\$14.6	Debt	\$11.0B
B Other Assets	\$7.5B	Accrued Compensation, benefits, and leave	\$6.1B
		Deferred Revenue	\$2.6
		Total Liabilities	\$122.1B
		Other	\$12.3B
		Total Net Deficiency	(\$75.7B)

Pension and RHB liabilities exceed assets by \$145.6B (as of Sept. 30, 2021)

<u>Assets</u>		<u>Liabilities & Net Deficiency</u>	
CSRS Fund Balance ¹	\$135.1B	CSRS Actuarial Liability	\$170.7B
FERS Fund Balance ¹	\$128.8B	FERS Actuarial Liability	\$157.5B
RHB Fund Balance ²	\$39.1B	RHB Actuarial Liability ³	\$120.4B
Total Retirement-Fund Assets	\$303.0B	Total Retirement-Related Liabilities	\$448.6B
		Unfunded Liabilities (Net Deficiency)	(\$145.6B)
Total Assets	\$303.0B	Total Liabilities & Net Deficiency	\$303.0B

¹ OPM projections as of September 30, 2021, include amortization payments due by September 30, 2021. Asset balances have been adjusted to reflect that payments were not made.

² OPM valuation as of September 30, 2021.

Our liquidity position in 2022 will be greatly impacted by the state of the economy, the sustainability of the package volume surge that began in the second half of 2020, and the success of our revenue growth and expense management initiatives. We estimate our year-end 2022 total cash will be \$20.3 billion, assuming no new debt is issued and before considering the estimated lump sum payments of approximately \$8.6 billion for CSRS, FERS and RHB due on September 30, 2022.

DELIVERING FOR AMERICA

In 2021, the Postal released “Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence” (DFA). This is a plan to modernize the Postal Service and allow it to continue to deliver reliable service across the United States in a financially sustainable manner. The plan included both self-help initiatives and initiatives which require legislative and administrative action.

The DFA plan includes two initiatives that must be enacted upon by Congress and by the Administration to reduce our RHB and CSRS unfunded liabilities and payments. The first such initiative is legislation to integrate our RHB plans with Medicare and to calculate our RHB liability based on vested employees, rather than all employees (including those who have not yet earned RHB benefits). In some proposed versions of this legislation, our RHB normal cost and amortization payments would be eliminated entirely in 2022. The second initiative is a reform to our CSRS funding, which is based on a fairer reallocation of CSRS benefits between the Postal Service and the rest of the government. This would eliminate the CSRS amortization payment in 2022 and beyond.

The table below shows a comparison of our current plan for 2022, both with and without RHB and CSRS reform, and the financials projected in the DFA strategic plan.

Comparison of IFP and DFA Strategic Plan				
In Billions	FY2022 Plan	FY2022 Plan w/ RHB and CSRS reform	DFA w/ RHB and CSRS reform	
Revenue	\$ 77.5	\$ 77.5	\$ 71.3	
Compensation and Benefits	52.2	52.2	48.9	
FERS Normal Cost	4.4	4.4	4.2	
RHB Normal Cost/Top-Up Payments	4.3	-	0.8	
Transportation	9.6	9.6	8.3	
Depreciation	1.7	1.7	1.7	
Supplies and Services	3.2	3.2	2.9	
Rent, Utilities and Other	6.2	6.2	5.5	
Controllable Expenses	81.6	77.3	72.2	
Controllable Income	\$ (4.1)	\$ 0.2	\$ (0.9)	
RHB Unfunded Liability Amortization	(1.0)	-	-	
FERS Unfunded Liabilities Amortization	(1.4)	(1.4)	(1.3)	
CSRS Unfunded Liabilities Amortization	(1.9)	-	-	
Net Loss	\$ (8.4)	\$ (1.2)	\$ (2.2)	

The IFP projects higher revenue in 2022 than the DFA. This is due to significantly higher volumes and revenues in 2021 and projected in 2022 than were forecast, and a more optimistic outlook for the economy and e-commerce growth. Mail volumes have proven more robust, and the surge in packages more sustained, than was previously forecast.

Personnel expenses are higher than forecast in the DFA. Work hours are now projected to be higher in 2022 than projected for the DFA, based on work hour levels in 2021 and on higher projected volumes in 2022. Furthermore, high inflation has led to actual 2021 and projected 2022 cost of living payments much higher than in recent years. Consequently, compensation and benefits and FERS normal cost are now both projected to be higher than in the DFA. FERS normal cost is also increased due to higher government-wide contribution percentages required by OPM.

In the DFA, our RHB normal cost payment is replaced by a much smaller RHB top-up payment. Our current plan maintains the higher RHB normal cost payment. Based on the most recent versions of draft legislation being considered by Congress, we assume that RHB reform legislation, if enacted soon, would result in no RHB normal cost or top-up payments in 2022.

Non-personnel costs are also higher in the IFP than in the DFA, in large part due to the costs imposed by higher projected mail volumes. Transportation costs for 2021 increased over 2020 values due to increased package volumes and fewer less expensive, commercial flights in the early months of the fiscal year. Our 2022 transportation estimate takes account of expected cost increase due to fuel price inflation and a nationwide scarcity of drivers and trailers. Forecasts for supplies and services and rent, utilities and other reflect increased expenses related to capital investment and modernization programs.

The DFA plan projects RHB amortization and CSRS amortization costs to be zero. This assumes that Congress and the Presidential administration will enact the reforms to integrate our RHB with Medicare (including the calculation of liabilities based on vested employees) and to reform CSRS funding, as set out in the plan. Our IFP projected values assume that this legislation will not pass, and we will continue to expense these payments under the same system as in prior years. The IFP projection for FERS amortization is slightly higher than in the DFA, based on an updated estimate of liability from OPM.

The following table walks through the difference in net income between the DFA strategic plan and the current plan. This difference is due to: 1) increased volumes, leading to additional revenue; 2) increased expenses to process, transport and deliver this volume; 3) the impact of increased inflation; and 4) increased lump-sum payments, because of changed actuarial assumptions and because the legislative and administrative reforms in the DFA have not yet come to pass.

DFA 2022 Plan(Billions)	
Revenue	\$ 71.3
Controllable expenses	(72.2)
Other expenses	(1.3)
Planned 2022 DFA Net Income (Loss)	\$ (2.2)
Major Variances to DFA FY2022 Plan (Billions)	
Elevated volume levels compared to DFA plan and additional revenues	\$ 6.2
Increased expenses to process, transport & deliver additional volume	(3.8)
Inflation impact to expenses above DFA plan level	(1.8)
Legislative & administrative actions which have not yet occurred (RHB normal cost & amortization, CSRS amortization) & increased costs due to actuarial changes	(6.8)
Total impacts:	\$ (6.2)
Planned FY2022 Net Income (Loss):	\$ (8.4)