

FEDEX CORP

FORM 8-K (Current report filing)

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Address	942 SOUTH SHADY GROVE ROAD MEMPHIS, TN 38120-
Telephone	9018187500
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SIC Code	4513 - Air Courier Services
Industry	Air Courier
Sector	Transportation
Fiscal Year	05/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 8, 2015

FedEx Corporation
(Exact name of registrant as specified in its charter)

Commission File Number 1-15829

Delaware
(State or other jurisdiction
of incorporation)

62-1721435
(IRS Employer
Identification No.)

942 South Shady Grove Road, Memphis, Tennessee
(Address of principal executive offices)

38120
(ZIP Code)

Registrant's telephone number, including area code: (901) 818-7500

Federal Express Corporation
(Exact name of registrant as specified in its charter)

Commission File Number 1-7806

Delaware
(State or other jurisdiction
of incorporation)

71-0427007
(IRS Employer
Identification No.)

3610 Hacks Cross Road, Memphis, Tennessee
(Address of principal executive offices)

38125
(ZIP Code)

Registrant's telephone number, including area code: (901) 369-3600

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

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

Item 2.02. Results of Operations and Financial Condition.

On June 12, 2015, FedEx Corporation (“FedEx”) announced a change to its accounting method for recognizing actuarial gains and losses for defined benefit pension and other postretirement benefits. This method of accounting is referred to as mark-to-market (“MTM”) accounting. Historically FedEx has recognized actuarial gains and losses, subject to a corridor, by amortizing them into operating results over the average future service period of active employees in these plans. FedEx has elected to immediately recognize actuarial gains and losses in its consolidated operating results in the year in which the gains and losses occur. This change will provide greater transparency into operating results by more quickly recognizing the effects of economic and interest rate conditions on plan obligations, investments and assumptions. The actuarial gains and losses are measured annually as of May 31 and, accordingly, will be recorded during the fourth quarter. In addition, for purposes of calculating the expected return on plan assets, FedEx will no longer use an averaging technique permitted under Generally Accepted Accounting Principles for the market-related value of plan assets but instead will use actual fair value of plan assets. FedEx will apply these changes retrospectively.

FedEx’s operating segment results follow internal management reporting, which is used for making operating decisions and assessing performance. Historically, total benefit cost was allocated to each segment. FedEx will continue to record service cost, interest cost and expected return on plan assets at the business segments. The projected impact of these items will be included in the company’s annual earnings guidance. Annual recognition of actuarial gains and losses (the “MTM adjustment”) will be reflected in FedEx’s segment results only at the corporate level.

Additionally, although the actual asset returns are recognized in each fiscal year through the MTM adjustment, we continue to recognize an expected return on assets (“EROA”) in the determination of net pension cost. At the segment level, we have set our EROA at 6.5% for all periods presented, which will equal our consolidated EROA assumption for fiscal 2016. FedEx has adjusted prior-period segment information to conform to the current period’s presentation.

These changes will be effective with the reporting of operating results for the year ended May 31, 2015, with an estimated noncash, pre-tax charge of \$2.2 billion for the fourth quarter of fiscal 2015 (\$1.4 billion, net of tax, or \$4.88 per diluted share for the fourth quarter and \$4.81 per diluted share for fiscal 2015).

These changes will have no effect on employees’ pension benefits or the funding requirements for any of FedEx’s pension plans.

Attached as Exhibit 99.1 is a copy of FedEx’s press release dated June 12, 2015, announcing the change to MTM pension accounting. Attached as Exhibit 99.2 are adjusted annual consolidated and segment financial results for fiscal 2013, adjusted annual and quarterly consolidated and segment financial results for fiscal 2014, and adjusted consolidated and segment financial results for the first three quarters of fiscal 2015. The press release and the adjusted financial results are being furnished pursuant to Item 2.02 of Form 8-K and General Instruction B.2 thereunder. The information in the exhibits shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

SECTION 5. CORPORATE GOVERNANCE AND MANAGEMENT.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Exclusion of Certain Items from AIC and LTI Plans. On June 8, 2015, the Board of Directors of FedEx Corporation, upon the recommendation of its Compensation Committee, decided that it was in the best interests of the company and its shareowners to exclude certain items from fiscal 2015 earnings for purposes of FedEx's fiscal 2015 annual incentive compensation ("AIC") plan and FedEx's FY13–FY15, FY14–FY16 and FY15–FY17 long-term incentive ("LTI") plans. For purposes of these plans, fiscal 2015 earnings will be adjusted to exclude: (i) the previously announced \$276 million of aircraft impairment and related charges recorded in the fourth quarter of fiscal 2015; (ii) the impact of the pension accounting changes described above in Item 2.02; and (iii) the charge described below in Item 8.01. By excluding these charges, payouts, if any, under these plans will more accurately reflect FedEx's core financial performance in fiscal 2015. In addition, the MTM adjustment will be excluded from fiscal 2016 and fiscal 2017 earnings for purposes of the FY14–FY16 and FY15–FY17 LTI plans.

SECTION 8. OTHER EVENTS.

Item 8.01. Other Events.

On June 12, 2015, FedEx announced that FedEx Ground has reached an agreement in principle with the plaintiffs in the independent contractor litigation that is pending in the United States District Court for the Northern District of California to settle the matter for \$228 million. The settlement is subject to court approval. As a consequence, a charge of \$197 million (\$133 million, net of tax, or \$0.47 per diluted share for the fourth quarter and \$0.46 per diluted share for fiscal 2015) was recorded in the fourth quarter of fiscal 2015 to increase the reserve for this matter to the amount of the settlement.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this filing may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the global markets in which we operate, our ability to execute on our profit improvement programs, legal challenges or changes related to FedEx Ground's owner-operators, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, our ability to effectively operate, integrate and leverage acquired businesses, changes in fuel prices and currency exchange rates, our ability to match capacity to shifting volume levels and other factors which can be found in FedEx's and its subsidiaries' press releases and filings with the Securities and Exchange Commission.

SECTION 9. FINANCIAL STATEMENTS AND EXHIBITS.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits. The following exhibits are being furnished as part of this Report.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release of FedEx Corporation dated June 12, 2015.
99.2	FedEx Corporation unaudited historical financial information adjusted for changes to its methods of accounting for actuarial gains and losses and the calculation of expected return on plan assets for all of its pension and other postretirement benefit plans.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

Date: June 12, 2015

FedEx Corporation

By: /s/ John L. Merino

John L. Merino

Corporate Vice President and Principal Accounting Officer

Date: June 12, 2015

Federal Express Corporation

By: /s/ Elise L. Jordan

Elise L. Jordan

Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

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FOR IMMEDIATE RELEASE

FedEx Corp. Adopts Mark-to-Market Pension Accounting

No impact to employee benefits; transparency improved

MEMPHIS, Tenn., June 12, 2015 ... FedEx Corp. (NYSE: FDX) said today it has adopted mark-to-market pension accounting for its defined benefit pension and other postretirement plans. This accounting change will have no effect on employees' pension benefits or the funding requirements for any FedEx pension plans or FedEx cash flows.

This accounting method will make FedEx's operating performance easier to understand and more transparent by immediately recognizing actuarial gains and losses in the fourth quarter of the fiscal year rather than amortizing them over many years. Mark-to-market accounting has been adopted by many large U.S. corporations, and is considered the preferred accounting method because it provides a more current picture of pension plan performance.

"Adopting the mark-to-market approach will align our accounting to provide greater transparency by removing certain legacy pension costs from segment operating results and recognizing them in a year-end adjustment," said Alan B. Graf, Jr., executive vice president and chief financial officer of FedEx Corp. "This change has no operational or cash-flow impact and, importantly, does not affect benefits for plan participants. In addition, the funded status of our principal plan remains very strong."

FedEx also announced it will lower its expected return on plan assets to 6.50 percent for segment reporting in all periods and on a consolidated basis starting in fiscal 2016. This change reflects its outlook for long-term investment returns and the current strategy for its investment portfolio.

The company said it will record an estimated \$2.2 billion non-cash, pretax charge for the fourth quarter of fiscal 2015 (\$1.4 billion, net of tax, or \$4.88 per diluted share for the fourth quarter and \$1.4 billion, net of tax, or \$4.81 per diluted share for fiscal year 2015) in connection with the changes in its pension accounting methods.

FedEx will continue to record service cost, interest cost and expected return on pension assets at the business segments which will be included in the company's annual earnings forecast. The annual adjustment will reflect actual return on pension plan assets, changes in discount rates and differences from other actuarial assumptions. The balance-sheet funded status of retirement plans is not affected by this change.

Financial results from prior periods have been recast to include the impact of these changes in all periods.

Reconciliations between previously reported company earnings and revised company earnings for fiscal years 2013 and 2014, for each quarter of fiscal 2014, and for the first three quarters of fiscal 2015 are available to provide year-over-year comparability for future periods. Go to <http://investors.fedex.com/mtmtables>.

Other Event

FedEx also announced today that FedEx Ground has reached an agreement in principle with the plaintiffs in the independent contractor litigation that is pending in the United States District Court for the Northern District of California to settle the matter for \$228 million. The settlement is subject to court approval. As a consequence, a charge of \$197 million (\$133 million net of tax, or \$0.47 per diluted share for the fourth quarter and \$0.46 per diluted share for fiscal 2015) was recorded in the fourth quarter of fiscal 2015 to increase the reserve for this matter to the amount of the settlement.

“FedEx Ground faced a unique challenge in defending this case given the decision of the Ninth Circuit Court of Appeals last summer. This settlement resolves claims dating back to 2000 that concern a model FedEx Ground no longer operates,” said Christine P. Richards, executive vice president and general counsel of FedEx Corp.

Corporate Overview

FedEx Corp. (NYSE: FDX) provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. With annual revenues of \$47 billion, the company offers integrated business applications through operating companies competing collectively and managed collaboratively, under the respected FedEx brand. Consistently ranked among the world’s most admired and trusted employers, FedEx inspires its more than 325,000 team members to remain “absolutely, positively” focused on safety, the highest ethical and professional standards and the needs of their customers and communities. For more information, visit news.fedex.com.

Certain statements in this press release may be considered forward-looking statements, such as statements relating to management’s views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the global markets in which we operate, our ability to execute on our profit improvement programs, legal challenges or changes related to FedEx Ground’s owner-operators, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, our ability to effectively operate, integrate and leverage acquired businesses, changes in fuel prices and currency exchange rates, our ability to match capacity to shifting volume levels and other factors which can be found in FedEx Corp.’s and its subsidiaries’ press releases and filings with the SEC.

Media Contact: Jess Bunn 901-818-7463
Investor Contact: Mickey Foster 901-818-7468

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FedEx Corporation

Summary Statements of Income - As Adjusted for Adoption of Pension and Other Postretirement Benefit Plan Accounting Methods and Revised Expected Return on Plan Assets Assumption

*(Dollars in millions except per share amounts)*Unaudited

	FedEx Express	FedEx Ground	FedEx Freight	Corporate, eliminations and other	Consolidated
For the Nine Months Ended February 28, 2015					
Operating Income (Loss) Previously Reported	\$ 1,237	\$ 1,568	\$ 348	\$ (191)	\$ 2,962
Elimination of actuarial gains/losses amortization	199	16	10	1	226
Recast of segments using a 6.5% EROA	(174)	(15)	(11)	200	—
Operating Income	<u>\$ 1,262</u>	<u>\$ 1,569</u>	<u>\$ 347</u>	<u>\$ 10</u>	<u>3,188</u>
Other Income (Expense)					
Interest, net					(153)
Other, net					8
					<u>(145)</u>
Income Before Income Taxes					3,043
Provision for Income Taxes					1,099
Net Income					<u>\$ 1,944</u>
Diluted Earnings per Common Share					<u>\$ 6.75</u>

	FedEx Express	FedEx Ground	FedEx Freight	Corporate, eliminations and other	Consolidated
For the Year Ended May 31, 2014					
Operating Income (Loss) Previously Reported	\$ 1,301	\$ 2,010	\$ 345	\$ (210)	\$ 3,446
Elimination of actuarial gains/losses amortization	336	28	17	3	384
Recast of segments using a 6.5% EROA	(209)	(17)	(11)	237	—
Retirement Plans MTM Adjustment	—	—	—	(15)	(15)
Operating Income	<u>\$ 1,428</u>	<u>\$ 2,021</u>	<u>\$ 351</u>	<u>\$ 15</u>	<u>3,815</u>
Other Income (Expense)					
Interest, net					(142)
Other, net					(15)
					<u>(157)</u>
Income Before Income Taxes					3,658
Provision for Income Taxes					1,334
Net Income					<u>\$ 2,324</u>
Diluted Earnings per Common Share					<u>\$ 7.48</u>

	FedEx Express	FedEx Ground	FedEx Freight	Corporate, eliminations and other	Consolidated
For the Year Ended May 31, 2013 ⁽¹⁾					
Operating Income (Loss) Previously Reported	\$ 700	\$ 1,842	\$ 236	\$ (227)	\$ 2,551
Elimination of actuarial gains/losses amortization	455	34	21	5	515
Recast of segments using a 6.5% EROA	(226)	(17)	(11)	254	—
Retirement Plans MTM Adjustment	—	—	—	1,368	1,368
Operating Income	<u>\$ 929</u>	<u>\$ 1,859</u>	<u>\$ 246</u>	<u>\$ 1,400</u>	<u>4,434</u>
Other Income (Expense)					
Interest, net					(61)
Other, net					(35)
					<u>(96)</u>
Income Before Income Taxes					4,338
Provision for Income Taxes					1,622
Net Income					<u>\$ 2,716</u>
Diluted Earnings per Common Share					<u>\$ 8.55</u>

(1) Results for 2013 include \$560 million (\$353 million, net of tax or \$1.11 per diluted share) of business realignment costs and a \$100 million (\$63 million, net of tax, or \$0.20 per diluted share) impairment charge resulting from the decision to retire 10 aircraft and related engines at FedEx Express.

FedEx Corporation

Segment and Consolidated Results for the Quarter Ended - As Adjusted for Adoption of Pension and Other Postretirement Benefit Plan Accounting Methods and Revised Expected Return on Plan Assets Assumption

(Dollars in millions except per share amounts)

Unaudited

	Feb. 28, 2015	Nov. 30, 2014	Aug. 31, 2014	May 31, 2014	Feb. 28, 2014	Nov. 30, 2013	Aug. 31, 2013
FedEx Express							
Operating Income Previously Reported	\$ 384	\$ 484	\$ 369	\$ 503	\$ 168	\$ 357	\$ 273
Elimination of actuarial gains/losses amortization	67	66	66	83	85	84	84
Recast of segments using a 6.5% EROA	(58)	(58)	(58)	(52)	(53)	(52)	(52)
Operating Income	\$ 393	\$ 492	\$ 377	\$ 534	\$ 200	\$ 389	\$ 305
FedEx Ground							
Operating Income Previously Reported	\$ 558	\$ 465	\$ 545	\$ 598	\$ 490	\$ 439	\$ 483
Elimination of actuarial gains/losses amortization	5	5	6	8	7	6	7
Recast of segments using a 6.5% EROA	(4)	(5)	(6)	(5)	(4)	(4)	(4)
Operating Income	\$ 559	\$ 465	\$ 545	\$ 601	\$ 493	\$ 441	\$ 486
FedEx Freight							
Operating Income Previously Reported	\$ 68	\$ 112	\$ 168	\$ 128	\$ 35	\$ 83	\$ 99
Elimination of actuarial gains/losses amortization	4	3	3	4	4	5	4
Recast of segments using a 6.5% EROA	(5)	(3)	(3)	(2)	(3)	(3)	(3)
Operating Income	\$ 67	\$ 112	\$ 168	\$ 130	\$ 36	\$ 85	\$ 100
Corporate, eliminations and other							
Operating Loss Previously Reported	\$ (48)	\$ (48)	\$ (95)	\$ (46)	\$ (52)	\$ (52)	\$ (60)
Elimination of actuarial gains/losses amortization	—	1	—	1	—	1	1
Recast of segments using a 6.5% EROA	67	66	67	59	60	59	59
Retirement Plans MTM Adjustment	—	—	—	(15)	—	—	—
Operating Income (Loss)	\$ 19	\$ 19	\$ (28)	\$ (1)	\$ 8	\$ 8	\$ —
Consolidated							
Operating Income Previously Reported	\$ 962	\$1,013	\$ 987	\$1,183	\$ 641	\$ 827	\$ 795
Elimination of actuarial gains/losses amortization	76	75	75	96	96	96	96
Recast of segments using a 6.5% EROA	—	—	—	—	—	—	—
Retirement Plans MTM Adjustment	—	—	—	(15)	—	—	—
Operating Income	1,038	1,088	1,062	1,264	737	923	891
Other Income (Expense)							
Interest, net	(58)	(47)	(48)	(47)	(38)	(30)	(27)
Other, net	5	5	(2)	1	(9)	(5)	(2)
	(53)	(42)	(50)	(46)	(47)	(35)	(29)
Income Before Income Taxes	985	1,046	1,012	1,218	690	888	862
Provision for Income Taxes	357	383	359	438	253	329	314
Net Income	\$ 628	\$ 663	\$ 653	\$ 780	\$ 437	\$ 559	\$ 548
Diluted Earnings per Common Share	\$ 2.18	\$ 2.31	\$ 2.26	\$ 2.62	\$ 1.42	\$ 1.75	\$ 1.72