



THE NPMHU ON POSTAL REFORM LEGISLATION

Introduction

Postal reform has been a top priority for the National Postal Mail Handlers Union for many years. Sustaining a future for the Postal Service is vitally important for all Americans, including all members of the NPMHU bargaining unit, and the NPMHU ardently believes this can best be achieved through meaningful postal reform. Ever since the Postal Service Accountability and Enhancement Act was enacted in 2006, the Postal Service has faced an uphill battle both financially and politically. The hardships sustained by the Great Recession of 2008 made the weight of financial solvency even harder to bear.

The NPMHU has formed a coalition with the Postal Service, many major mailers, as well as the three other postal unions (the American Postal Workers Union, the National Association of Letter Carriers, and the National Rural Letter Carriers Association). Although the members of this coalition may have different motivations, we share the goal of passing postal reform legislation. Working together gained us credibility and solidified our position when meeting with Members of Congress to draft the bills pending today.

Both of these bills (H.R. 756 and H.R. 760) were introduced and passed on bipartisan voice votes to advance out of the House Committee on Oversight and Government Reform in March 2017. They are now before the Ways and Means Committee, and presumably will be up for a vote by the full House of Representatives later this year.

We believe these bills are worthy of your support and your vote for many reasons, outlined below, although we also believe that H.R. 756 should be amended to reduce centralized delivery requirements and to provide for certain hardship waivers for participation in Medicare. We thank you for your time and interest in the preservation of the Postal Service, a significant institution that deserves the full support of all Americans.

SUPPORT H.R. 756 – THE POSTAL SERVICE REFORM ACT OF 2017

“This bipartisan measure will make the policy changes that are most urgently needed to put the Postal Service on sound and sustainable long-term financial footing. This collaborative reform effort places the Postal Service on a path toward a viable future.” – The House Oversight and Government Reform Committee

- **Implements Medicare integration**

- This bill mandates and automates the enrollment into Medicare Parts A and B for all eligible retirees and their families, guaranteeing coverage for former postal employees and alleviating some of the financial burdens now felt by the Postal Service. Over four years, the Postal Service will decrease its Medicare Part B contributions.
- In addition, the bill will provide access to low cost prescription drugs through Medicare Part D.
- Finally, the bill would establish separately rated postal plans within FEHBP, starting in January 2019.
- This Medicare integration plan will improve employee and retiree health care, and allow the Postal Service and its employees to benefit fully from the Medicare taxes they have been paying. One amendment still sought by the NPMHU would allow limited hardship waivers from mandatory participation in Medicare.

- **Reforms CSRS and FERS pension accounts**

- The pension system as it currently stands routinely short changes the Postal Service by holding its funding to an unfair standard. This method does not comply with the Financial Accounting Standards Board Rules, and results in perennial deficits.
- Under H.R. 756, the practice of calculating pension costs commensurate with the government-wide population will be replaced by a new calculation using the salary growth and demographic assumptions specific to the Postal Service.
- Any and all surpluses in CSRS or FERS accounts will be amortized over 30 years and returned to the Postal Service as revenue.
- The NPMHU estimates these surpluses to be around \$6 billion, monies that could be repaid to the Treasury Department or channeled toward USPS investments.

- **Expands Postal Service operations**

- Because it is limited in the types of products and services it can offer, the Postal Service has been unable to truly tap into the values of its unique processing, retail, and delivery networks.
- The existing limits on services are exacerbated by aging equipment and the need to roll out a new delivery fleet over the next 18 months.
- H.R. 756 authorizes the Postal Service to provide “nonpostal,” noncommercial services to state, local, tribal, and federal agencies.
- Allowing the Postal Service to expand its operations will contribute to its financial success, as well as spur job growth.
- One contrary provision, which would mandate more centralized delivery rules, still should be eliminated from the bill.

- **Alters the structure of governance and oversight**

- For years, the Postal Service has been managed by a 9-member Board of Governors, appointed by the President and approved by the Senate.
- Due to political gridlock and attrition, none of these seats is currently filled, meaning the governing body cannot reach quorum.
- H.R. 756 lowers the number of Governors to five, and establishes seven-year terms.
- These changes will result in speedier Board appointments, and will facilitate more direction and innovation.
- Additionally, the bill strengthens the governing power of the Postal Regulatory Commission in both negotiating international postal rates and levying fines against the Postal Service.

- **Restores a portion of the expired exigent rate increase**

- The expiration of the exigent rate increase in April 2016 only increased the net losses experienced by the Postal Service.
- For the first time since World War I, the price of a first-class postage stamp decreased, from 49 to 47 cents. The repercussions of this 2-cent decrease have been far-reaching, and have made it even more difficult for the Postal Service to pay off its debts.
- This bill restores approximately one-half of the expired rate increase – namely, 2.15% of the 4.30% surcharge.
- In effect, this will raise the price of a first-class stamp by 1 cent and will help the Postal Service recovery at little cost to the American consumer.

SUPPORT H.R. 760 – THE POSTAL SERVICE FINANCIAL IMPROVEMENT ACT OF 2017

- **Helps to solve the prefunding requirement**

- For over ten years, the Postal Service has been burdened with a mandate to pre-fund 75 years of health benefits for current and future retirees through the USPS Retiree Health Benefits Fund.
- This pre-funding burden has caused the Postal Service to reach its \$15 billion borrowing limit with the Treasury, and is the primary cause for the Postal Service's annual deficits.
- No other public agency or private enterprise in America is held to this standard; in fact, many private companies (as well as the federal government) do not pre-fund at all.
- While the Medicare integration stipulated in H.R. 756 goes a long way to alleviating this burden, H.R. 760 achieves another pre-funding goal, critical to the success of the Postal Service. Under current law, the money already in the Retiree Health Benefits Fund may only be invested in U.S. Treasury bills and notes, so the interest earned is extremely low and does not keep up with medical inflation.
- If passed, H.R. 760 will require the Department of Treasury to invest a specified percentage of the Retiree Health Benefits Fund and comply with the same target dates as investments in the Thrift Savings Fund. The monies will be invested in index funds, which are trusted, well-diversified, and operate at a low-cost.
- The percentage invested will be 25 percent, with an option to go up to 30 percent five years after the bill's enactment. All investments will be audited annually by an independent public accountant.
- These changes follow corporate best practices, secure legally provided benefits for postal employees and retirees, and strengthen federal government finances.

The National Postal Mail Handlers Union appreciates your thorough consideration and support for H.R. 756 and H.R. 760. Working together, we can achieve the passage of this bipartisan legislation and the long-term success of the Postal Service.