



January 12, 2011

President Barack Obama
The White House
1600 Pennsylvania Ave NW
Washington DC 20500

Dear Mr. President:

As the elected leaders of four postal labor unions and two postal management organizations representing more than 500,000 employees, we write to request immediate action to save almost 100,000 good middle-class jobs and stabilize the financial condition of one of America's most important public institutions, the U.S. Postal Service. A healthy postal system is critical for a healthy U.S. economy.

The financial problems facing the Postal Service were made significantly worse by a Bush-era mandate that the agency pre-fund nearly 80 percent of its future retiree health care obligations by 2016 at a crushing cost of \$5.5 billion per year. That mandate was included in the 2006 Postal Accountability and Enhancement Act (PAEA). No other agency or company in America is required to pre-fund such obligations at all, much less on such an accelerated schedule.

In fact, had it not been for these payments into the Postal Service Retiree Health Benefit Fund (PSRHBF), the Postal Service would have been profitable over the past four years by \$611 million—despite the recent recession and despite competition from the Internet.

The \$21 billion in pre-funding payments over the past four years would have been extremely challenging during times of economic growth; however, considering the current economic crisis, they were irresponsible. The Postal Service has had to use its limited borrowing authority to make these payments and has been forced, since 2007, to eliminate more than 100,000 good jobs. If no action is taken, the USPS is expected to hit its \$15 billion debt limit this year and experience a damaging liquidity crisis.

Fortunately, there is a sound policy solution to this pre-funding burden. The Postal Service should be permitted to use the surplus in its two pension funds—the Civil Service Retirement System and the Federal Employees Retirement System—to cover the cost of its future retiree health obligations. A trio of independent studies by private actuarial companies has confirmed that the Postal Service has a surplus between \$50 billion and \$75 billion in its CSRS pension account and \$6 billion to \$7 billion in its FERS pension account within the Civil Service Retirement and Disability Fund (CSRDF). Two of the studies were done by the Hay Group for the Postal Service Office of Inspector General and one by the Segal Company for the Postal Regulatory Commission.

The OPM maintains the position it first adopted in the Bush administration—that Congress must authorize the actuarial methods proposed by the studies. The Office claims that laws passed in 1974 and 2003 dictate the unfair methods that are currently used, even though those laws were repealed by the PAEA in 2006. The chief authors of the 2006 postal reform law, Sen. Tom Carper (D) and Sen. Susan Collins (R), have argued that the OPM has the authority to adopt fair and accurate actuarial methods for allocating postal pension costs under Section 802 (c) of the PAEA. Since OPM refuses to exercise this authority, we urge you to use your authority as President to direct it to do so.

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Under current law, any CSRS "postal surplus" in the CSRDF must be transferred to the PSRHB in 2015. We believe that the surplus should be calculated accurately now and that the transfer of funds should be moved up to 2011 to allow Congress to repeal the annual \$5.5 billion pre-funding payments scheduled over the next five years. These actions would avert an unnecessary financial crisis and save tens of thousands of jobs.

We therefore request that you direct the OPM to immediately recalculate the postal pension balances in the CSRDF using the methods endorsed by the USPSOIG and PRC studies and that you include provisions in your 2012 budget that would: (a) move up the date of the pension surplus transfer from 2015 to 2011; (b) repeal the pre-funding payment schedule included in the PAEA; and (c) maintain the well-established policies on six-day delivery and small post offices in the annual financial services appropriation.

The Postal Service, unlike other federal agencies and, indeed, unlike most state and local governments and even many major private employers, has responsibly funded its future pension obligations for more than 40 years. Its two pension plans, FERS and CSRS, are more than fully funded, and the Service has already set aside more money—\$42 billion—than any other company in America for future retiree health benefits. With the action we are requesting, the USPS would also become the only major employer in the country to completely pre-fund its future retiree health obligations—while two-thirds of America's Fortune 1000 companies have yet to set aside a single penny for future retiree health benefits.

The financial crisis facing the Postal Service in 2011 is a daunting one, but unlike so many challenges facing the nation today, there is a feasible and responsible answer to this short-term crisis. The Postal Service can avoid short-sighted and self-defeating cuts in service to the American people without a penny in taxpayer support if you will take the actions we request.

The USPS is a critical part of the nation's economic infrastructure, with both direct and indirect ties to a \$900-billion mailing industry. Averting a postal financial crisis will help strengthen the economic recovery. We look forward to working with your administration to make sure that the Postal Service is treated in an equitable manner with respect to its pensions while ensuring that it meets its obligations to fund future retiree health benefits. Thank you for your immediate attention to these issues.

Sincerely,



Louis M. Atkins, *President*
National Association of Postal Supervisors



Cliff Guffey, *President*
American Postal Workers Union



Frederic V. Rolando, *President*
National Association of Letter Carriers



Don Cantriel, *President*
National Rural Letter Carriers Association



John F. Hegarty, *President*
National Postal Mail Handlers Union



Mark W. Strong, *President*
National League of Postmasters of the United States

cc: Vice President Joe Biden
Director Jacob J. Lew