June 14, 2011

Dear Representative:

We represent a broad cross section of the employees and customers of the American postal industry, including the unions and management associations of the Postal Service, trade associations, companies in the business mail industry, and other individual mailers large and small that interact with the USPS on a daily basis. We urge you to act now to free the Postal Service of the unnecessary and unsustainable statutory requirement that has destabilized the Postal Service's finances and poses an immediate and serious threat to the US economy. You can help by cosponsoring HR 1351, the Postal Service Pension Obligation Recalculation and Restoration Act of 2011, to help restore fiscal soundness to the nation's postal service. Please do so.

The crisis is immediate because the USPS will run out of funds by the end of the summer. Since 2006, the Postal Accountability and Enhancement Act of 2006 (PAEA) has required it to pay roughly $5.5 billion each year to pre-fund future retiree health benefits, including those of workers that have not even been hired yet. The Postal Service can no longer bear this burden. The USPS:

- has recorded losses of $20 billion over the past four years, though it would have made a profit over this period (despite the recession) if not for the artificial burden of pre-funding future retiree health benefits ($21 billion);

- has had to exhaust all its borrowing authority from the US Treasury to cover the onerous cost of pre-funding instead of using it to invest in new services and to restructure its operations in support of a new business model;

- has told Congress in a recent hearing that it will not be able to pay this year's mandated $5.5 billion payment on September 30th, and may be unable to pay other operational expenses soon thereafter.[1]

As the independent Inspector General of the USPS has testified before Congress, "Burdensome and flawed benefit payments (to the Retiree Health Benefit Fund or RHBF) have caused the $20 billion loss in the past four years. This has raised the cost of the infrastructure, postage rates, and forced the Postal Service to incur debt." The independent Postal Regulatory Commission concurs with this assessment.

What would be the effect of a crippled Postal Service? The USPS stands alone in offering affordable and accessible, universal service to 150 million homes, and thousands of communities and businesses six

[1] The USPS already has set aside $42.5 billion, enough to cover retiree health benefits for the next 20 years. There is no reason to continue prefunding, particularly at this rate and in this economic environment. This prefunding practice has no counterpart in the federal sector and no other enterprise (private or public) has a legal mandate to prefund.

days a week. It is at the heart of a $1.3 trillion mailing industry that employs over 9 million workers. The retailers in your community depend on it. The uniformed services overseas rely on it. Despite electronic mail, the USPS handles trillions of dollars of transactions, including payments for more than one-half of America's household bills. It is the linchpin in marketing and distribution systems through which businesses large and small can advertise services and distribute products—by itself or as the last mile for delivery by private sector companies.

Fortunately, HR 1351 provides a sensible solution. The bill is based on sound financial analysis done independently by two highly-respected actuarial firms. They have determined that the USPS has massively over-funded its pension obligations under the Civil Service Retirement System (CSRS). These surpluses are $75 billion according to a study by the Hay Group (done for the USPS Office of Inspector General), and $50-55 billion according to a study by the Segal Company (for the Postal Regulatory Commission). [2] Surplus funds should be transferred from the pension fund to cover the PSRHBF obligations. Such a use of pension surpluses to cover other post-retirement costs is considered a best practice in the private sector and is sound public policy in this instance.

The Postal System needs changes. H. R. 1351 takes the first crucial steps, steps that are need now and cannot await consensus on broader reforms. First, it requires the Office of Personnel Management (OPM), which is responsible for administering the postal and federal pension plans, to recalculate the Postal Services' CSRS pension account balance using modern, state-of-the-art actuarial methods that fairly allocate the cost of postal pensions to the USPS. Second, the bill would mandate an inter-fund transfer of any resulting CSRS postal surplus to the PSRHBF. Such a transfer would **not** add to the deficit so it would not have a budget score. *None of these funds are government or taxpayer money, as the USPS has not received government subsidies for operations in decades. The funds are contributed by postal employees and postage rate-payers*. The HR 1351 approach also has Senate bipartisan support from Senators Susan Collins (R-ME) and Tom Carper (D-DE), two of the authors of the PAEA.

The bill has one other feature: It provides immediate relief to the USPS in 2011 by allowing the agency to use an existing surplus in the Federal Employees' Retirement System Account (again, its own money) to cover the 2011 retiree health pre-funding payment.

OPM acknowledges that the methods proposed by the Hay and Segal reports are reasonable alternatives to the methods it has used. But OPM argues that Congress must instruct the agency to adopt those methods, hence the need for legislation.

The USPS, independent of this payment, has done its job to remain solvent. It has shed 110,000 jobs since 2007 and has made numerous closings and consolidations of facilities and operations, while at the same time working with its employee groups and customers to improve operations and costs. We understand that the weak economy and the impact of the Internet on mail volumes will require further

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[2] See *U.S. Postal Service: Evaluation of the USPS Postal CSRS Fund for Employees Enrolled in the Civil Service Retirement System,* a report by the Hay Group for the USPS OIG, January 11, 2010; and *Civil Service Retirement System Cost and Benefit Allocation Principles*, a report by the Segal Company for the Postal Regulatory Commission, June 29, 2010.

structural reforms – though there is little agreement on the scope of the needed reforms. However, HR 1351 would allow sound business decisions to be made in a clear and stable environment while providing Congress and the postal community the time to develop a consensus on further reform.

As the nation's second largest employer with employees and retirees in virtually every community in all 50 states, the Postal Service provides a vital service that is important to the nation's economic recovery. As a business and a public service mandated in the Constitution, a healthy USPS remains vital to your community and the Nation. We urge you to cosponsor HR 1351.

Sincerely,

National Association of Letter Carriers	Association for Postal Commerce
American Postal Workers Union	Parcel Shippers Association
National Rural Letter Carriers Association	Florida Gift Fruit Shippers Association
National Postal Mail Handlers Union	Alliance for Retired Americans
National Association of Postal Supervisors	Saturation Mailers Coalition
National League of Postmasters	
National Association of Postmasters of the United States	
CVS-Caremark (RI)	Mailbox Merchants, Inc. (OR)
Medco (NJ)	Market Select, Inc. (PA)
L.L. Bean, Inc. (ME)	The Post Newspapers (OH)
Valassis Communications, Inc. (MI)	Town Money Saver (OH)
Harte-Hanks (TX)	C&G Publishing, Inc. (MI)
4Imprint (WI)	Denton Publications, Inc. (NY)
Associated Mail and Parcel Centers (IL)	Foster's Daily Democrat of Dover, NH (NH)
Endicia (CA)	Eastern Marketing Services of Dover (NH)
Johnson Smith Company (FL)	Metro Group, Inc. (NY)
Medco Health Services, Inc. (NJ)	Ad Pages Savings Magazine (TX)
National Parcel Logistics (FL)	Money Mailer, LLC (CA)
Newgistics (TX)	Yankee Pennysaver (CT)
Publishers Clearing House (NY)	Free Community Papers of Florida (FL)
QVC, Inc. (PA)	Texas Community Newspaper Association (TX)
SP Express (AZ)	Community Papers of Ohio and West Virginia (OH, WV)
Blue Marlin Printing Company (NC)	Free Community Papers of New York (NY)
Trib Total Media (PA)	Minnesota Free Paper Association (MN)
Target Marketing (VA)	Southeastern Advertising Publishers Association (TN)
MailSouth (AL)	Community Papers of Michigan (MI)
SuperCoups (MA)	AFCP (Association of Free Community Papers) (NY)
Mid-West Free Community Papers (IA)	Mid-Atlantic Community Paper Association (PA)
Carolina Moneysaver (NC)	Wisconsin Community Papers (WI)
Genesee Valley Publications (NY)	Moneysaver Advertising, Inc. (NY)
North Shore Today (NY)	MoneySaver Publishing, Inc. (MO)
Princess House (MA)	Ursa Major Associates, LLC (CT)
Action Unlimited (MA)	Consumer Direct (Argix Direct, Inc.) (NJ)
Pacific Northwest Association of Want Ad Newspapers (ID)	