Making the Postal Service Great Again:

Workforce Submission to the White House Task Force on the USPS

Introduction

The United States Postal Service is a national treasure and a vital part of our national economic and political infrastructure. It is one of the few federal agencies called for by the United States Constitution (Article I, Section 8). For more than 240 years, it has been an invaluable institution in our democracy and culture and provides the only truly universal, secure and non-hackable system of communications we have. Post offices serve as community centers in tens of thousands of locations across the country, but the Postal Service is also crucial to the U.S. economy as a whole, facilitating billions of financial transactions each month involving trillions of dollars each year. It is the heart of a $1.4 trillion mailing industry that also employs 7.5 million American workers.

The Postal Service's unmatchable networks link 157 million American households and businesses to each other seven days a week. The agency remains essential to: our booming e-commerce sector; our prescription drug industry; our nation's paper, publishing and advertising sectors; our country's voting systems; and to millions of small businesses and tens of millions of citizens in rural, suburban, and urban communities across the country. Strengthening this great institution is essential to the President's overriding goal of making America great again.

Voice of the workforce

Together our four labor organizations represent more than half a million Postal Service employees who are dedicated to providing affordable service to all Americans, no matter where they live. While the Postal Service has undergone significant changes over time, the employees of the agency have been steadfast in our commitment to creating a strong employer to provide good, middle-class jobs for workers and veterans, who make up nearly 30 percent of our workforce. But we serve a higher public purpose as well. We fight for high quality universal service that all Americans and all American businesses can afford.

Indeed, the workers we represent are the backbone of the Postal Service, the highest rated agency of the Federal government with an 88 percent favorability rating in a February 2018 poll by the Pew Research Center (see the chart in the Executive Summary). The key to its popularity is two-fold: First, the Postal Service offers the most reliable and affordable mail service in the world, as an analysis from Oxford Consulting concluded when it studied the postal services of OECD countries in 2012.[1] Second,

[1] See http://foreignpolicy.com/2013/02/07/the-worlds-best-post-offices/

letter carriers do more than deliver the mail, they also look after the elderly and disabled, lend a hand when crime or disaster strikes, and watch over their communities each day. And postal workers do more than just serve local residents, they help businesses of all sizes across the country to develop and grow – no matter where they are located, from the most rural counties in America to the most heavily populated cities. Support for the Postal Service is truly bipartisan, so the debate over reforming the Postal Service can and should be truly non-partisan.

We serve proudly as the voice of the Postal Service workforce and welcome the opportunity provided by President Trump's Executive Order to offer our input to the work of the White House Task Force on the United States Postal Service.

In this submission, we will share our views, make suggestions on how the Task Force should approach its work and explain our policy recommendations. In addition, to assist the Task Force, please find attached a brief history/status report on postal reform legislation over the past decade as well as a summary of House Resolutions on postal policy that have majority or near-majority bipartisan support in the House of Representatives.

Workforce Observations

We believe that the following points are critical:

- **The President's Executive Order is correct to suggest that the Postal Service is "on an unsustainable path," but we do not believe that the agency "must be restructured."**

- **In fact, the Postal Service has already gone through a major restructuring over the past decade.** It closed or consolidated 485 of its 685 mail processing facilities, re-evaluated and increased the number of deliveries on its delivery routes multiple times, eliminated more than 200,000 career job positions, reduced the hours of operations at 13,000 primarily rural post offices (leaving 1,800 offices open for only two hours a day), and used the collective bargaining process to reduce its labor costs dramatically. All told it has slashed its annual costs by $14 billion annually.[2]

  While the Obama Administration failed to act and the Congress refused to advance postal reform, the Postal Service and its employees have done the hard work of restructuring – almost certainly to a fault. As many Senators and Members of Congress often make clear, especially in many rural states between the East and West Coasts, the service cuts have gone too far. The quality of service has been compromised, especially in the nation's heartland.

- **The financial crisis facing the Postal Service is largely the result of policy mistakes by the past two administrations related to the issue of prefunding retiree health benefits.**

  - First, the Bush Administration pushed the adoption of a misguided policy on prefunding future retiree health benefits in the Postal Accountability and Enhancement Act of 2006

[2] https://www.uspsoig.gov/sites/default/files/document-library-files/2016/RARC-WP-16-009.pdf

(PAEA) – mandating that the Postal Service be the only agency or enterprise (public or private) in the country required to prefund decades of future retiree health insurance premiums decades in advance.

As Sen. Ron Johnson, chairman of the Senate Homeland Security and Governmental Affairs Committee has noted, the PAEA turned an affordable pay-as-you-go short-term liability for retiree health into an unaffordable long-term liability. This policy, at a cost of $5.5 billion annually, accounts for 92% of the $67 billion in recorded losses since 2007 – and 100% of the losses since the economy recovered from the Great Recession in 2012 (see chart below). It caused the Postal Service to exhaust its credit limit, starved the agency of needed investment, and led to self-defeating service cuts – all the while overshadowing the agency's operating profits for three of the past four years.

The Impact of the Prefunding Mandate on USPS Net Income under the PAEA ($billions)

92% of losses due to mandate

Fiscal Year	Net Income/ (Loss)	RHB Pre-Funding	Net Income without Prefunding
2007	($5.1)	($8.4)	$3.3
2008	($2.8)	($5.6)	$2.8
2009	($3.8)	($1.4)	($2.4)
2010	($8.5)	($5.5)	($3.0)
2011	($5.1)	$0.0	($5.1)
2012	($15.9)	($11.1)	($4.8)
2013	($5.0)	($5.6)	$0.6
2014	($5.5)	($5.7)	$0.2
2015	($5.1)	($5.7)	$0.6
2016	($5.6)	($5.8)	$0.2
2017	($2.7)	($2.8)	($0.1)
2018 6M	($1.9)	($2.8)	$0.9
TOTALS	**($67.1)**	**($60.3)**	**($6.8)**

Source: USPS 10-K reports.

Note: The Postal Service would have recorded profits in FY 2017 and in the first six months of FY 2018 if not for the roll-back of postage rates in April 2016 when the Postal Regulatory Commission ordered a repeal of a 4.3% 'exigent' rate increase put into effect in January 2014 to help USPS recover from the Great Recession. That decision, the first rate reduction since 1919, reduced postal revenues by $2.0 billion annually.

- Second, the Obama Administration failed to use its Executive power to mitigate the prefunding crisis by declining to implement the recommendations of a 2010 PRC report on the valuation of the Postal Service CSRS pension account.[3] That report called on the Office of Personnel Management (OPM) to adopt private sector accounting standards in its annual valuation instead of the outdated methods adopted in 1974. This step would have revealed a $50-$55 billion surplus in the postal account of the CSRS -- and would have largely eliminated the unfunded liability for retiree health benefits because such a surplus is automatically transferred to the Postal Service Retiree Health Benefits Fund (PSRHBF) under current law (see discussion on pp. 11-12 below).

  The Obama administration instead relied on Congress to legislate the recommendations. It may have been led to this position by an October 2011 report by the Government Accountability Office (GAO) that suggested that "Congress can, if it chooses, make another determination about the allocation of current assets and obligations of USPS."[4] That same report concluded that the PRC recommended method falls "within the range of reasonable actuarial methods" and that it was "ultimately a business or policy decision." The PAEA legislation clearly gives the OPM the power to implement the PRC report's recommendations administratively, as Sen. Susan Collins (R-ME), the principal author of the PAEA, has made clear.[5] This policy can therefore be executed by Executive Order.

  The prior administration failed to take this sensible action, then compounded the error by variously backing a number of misguided service cuts that would have done more harm than good – such as phasing out door delivery and eliminating Saturday delivery at a time when the e-commerce boom requires seven-day delivery and major mailers (prescription drug benefit managers, direct mailers, rural country newspapers) expressed their opposition to such cuts. Fortunately, bipartisan majorities in Congress have repeatedly rejected these proposed service cuts. As we will suggest below, the Trump Administration has the opportunity to correct the prior administration's policy mistakes in this area.

- **The other major policy error in the PAEA had to do with the pricing of postage for Market Dominant products** -- the letter mail, periodicals, and marketing mail that make up 95% of total mail volume. The law implemented an overly stringent price cap on postage increases – linking them to general inflation, as measured by the Consumer Price Index, instead of an index related

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[3] See CIVIL SERVICE RETIREMENT SYSTEM COST AND BENEFIT ALLOCATION PRINCIPLES at https://www.prc.gov/docs/68/68679/Report%20on%20CSRS%20Cost%20and%20Benefit%20Allocation%20Principles_1126.pdf

[4] GAO, U.S. Postal Service: Allocation of Responsibility for Pension Benefits between the Postal Service and the Federal Government (Oct. 2011) (GAO Report), at 16.

[5] See letters from Sen. Susan Collins to OPM dated July 12, 2010 and September 28, 2010: https://www.nalc.org/news/in-the-news/body/9-28-10-Collins-Letter-to-OPM-Regarding-CSRS-Pension-Overpayment.pdf and https://www.nalc.org/news/in-the-news/body/07-12-10-Collins-letter-to-OPM-Director-re-CSRS-Overpayment.pdf

to the actual costs of providing universal delivery services (such as the CPI for Delivery Services or the Producer Price Index for Warehousing and Delivery Services).

- This mistake was compounded by a regulatory error committed by the Postal Regulatory Commission. In 2016, after granting the Postal Service an emergency rate increase (above that allowed by the change in the CPI) under the law's "exigent" increase procedure to deal with the negative impact of the Great Recession, the Commission erred when it decided to make the 'exigent' increase *temporary*. This is the case because the 4.3% increase was implemented to deal with a *permanent* 20% reduction in letter mail volume. Yet the exigent increase was repealed in April 2016 – the first reduction in postage rates in nearly 100 years. That decision has cost the USPS more than $4 billion since 2016 and has shifted the USPS from earning operational profits to recording a small operating losses in 2017 and 2018.

- Fortunately, the PAEA already provides a mechanism to repair and improve the Postal Service's pricing policy. It mandated a formal review of the price-setting system by the PRC after 10 years. That review, begun in December 2016, is now underway and provides an excellent opportunity for our regulators to strengthen the Postal Service with a more appropriate postage rate-setting process.

- **In the face of declining letter mail volume, proposals to redefine the universal service obligation (USO) or to create a new business model are premature at best.** There has been a significant drop in First Class letter mail volume, but Standard Mail retains its value in the market – with response rates much higher than alternative means of electronic advertising – and the boom in e-commerce delivered by the Postal Service shows that the agency is adapting.

  - The Postal Service was able to provide six-day delivery with 741,000 employees in 1970 when total mail volume was less than 85 billion pieces. It can certainly provide the same level of service for the foreseeable future – in 2017 it delivered 149 billion pieces with just 644,000 employees.

  - In today's economy with 24/7 shopping and advertising, it would be self-defeating for the Postal Service to slash service or downgrade its USO. Reducing service standards, cutting delivery days or eliminating door delivery would make mail less valuable and drive more volume out of the Postal Service. Indeed, a 2012 analysis done for the Postal Service by a market research firm found that eliminating Saturday delivery and other downsizing measures (such as closing small town post offices or reducing post office hours) would cut costs by $3.3 billion annually, but reduce revenue by even more -- $5.3 billion annually.[6]

- **With declining letter mail volume, exclusive access to the mail box and a regulated monopoly on delivery of letter mail is more important, not less important.** Mail delivery is a natural

[6] https://www.prc.gov/Docs/81/81634/Vol4_120322_PRC.pdf.

monopoly – because of economies of scale and scope, the most efficient way to provide it is through a single, regulated provider.

- As a matter of economic efficiency, it makes little sense to send multiple trucks down the same streets, dividing up a fixed volume of letter mail. Indeed, deregulating the mail market would exacerbate the negative economic impacts of volume decline by allowing 'cream-skimming' competition in profitable areas and leaving high-cost, low-density areas to the Postal Service. This would destroy the economic efficiency derived by the Postal Service's natural monopoly in last mile delivery.

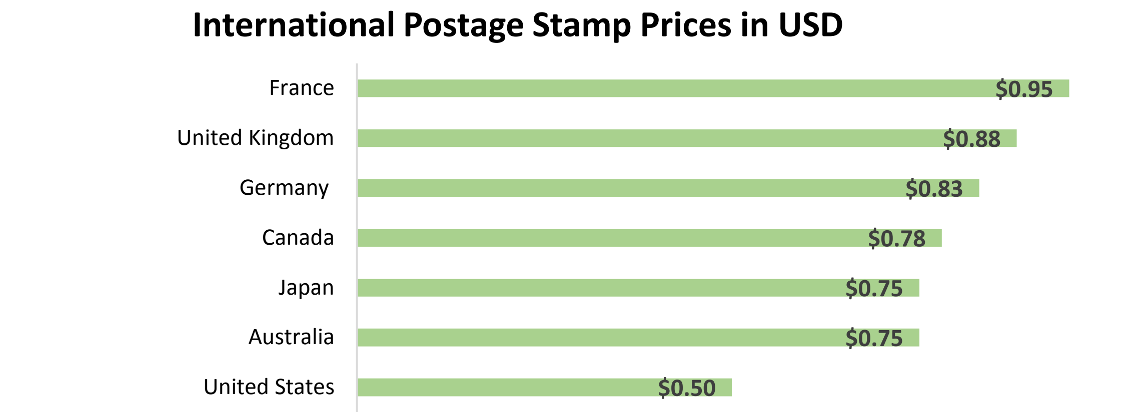
- Similarly, just as economies of scale helps keep the cost of letter mail delivery affordable, economies of scope in last mile delivery allows the Postal Service to be the lowest cost provider of last mile delivery for packages and other types of mail. This is what makes the Parcel Select program so valuable to American shippers of all sizes. Under this program companies like UPS (Surepost) and FedEx (Smartpost) drop ship packages to USPS delivery units for last mile delivery by letter carriers – who can do it more inexpensively since they are delivering many other types of mail at the same time.

- **We share President Trump's view on the importance of pricing the Postal Service's competitive products appropriately. Fortunately, under current law, the PRC is charged with ensuring just this. However, it is also important to preserve the USPS's Universal Service Obligation for all packages, whether or not they are considered competitive products.** This USO ensures affordable shipping services to all Americans, including those who live in dozens of rural states and thousands of urban communities where private companies would charge dramatically higher rates to make up for the low density of delivery. The public option in package delivery, provided by USPS, is essential for America's booming e-commerce sector (which includes thousands of companies, not just the market leaders); it ensures universal access to all Americans and prevents price gouging by private companies with monopoly or duopoly power.

- **The quality and affordability of American postal services far surpasses those of other advanced countries that have deregulated or privatized their postal services.** The collapse of postal services in the Netherlands after deregulation provides an object lesson in the high transactions costs and loss of mail security and accountability that privatization and deregulation would bring.[7]

  This efficiency benefits all American businesses and citizens – who enjoy the most affordable postage rates in the world. (See chart below.)

[7] https://www.lrb.co.uk/v33/n09/james-meek/in-the-sorting-office



Source: National Postal Operators. Price of equivalent First-Class postage stamp, converted using **exchange rates on 5/9/2018**.

- **The profitability of individual operations is less important than the viability and affordability of the system as a whole.** In the context of networked services, it makes no sense to examine service cuts in isolation from one another. For example, closing “unprofitable post offices” misses the point – the Postal Service is a network. Its value depends on universality and low transaction costs (the ease of use). The ability of any citizen, rural or urban, or any business, large or small, to reach all 157 million addresses every day is valuable to all Americans. Service cuts don’t just hurt the folks most directly affected; they hurt everybody.

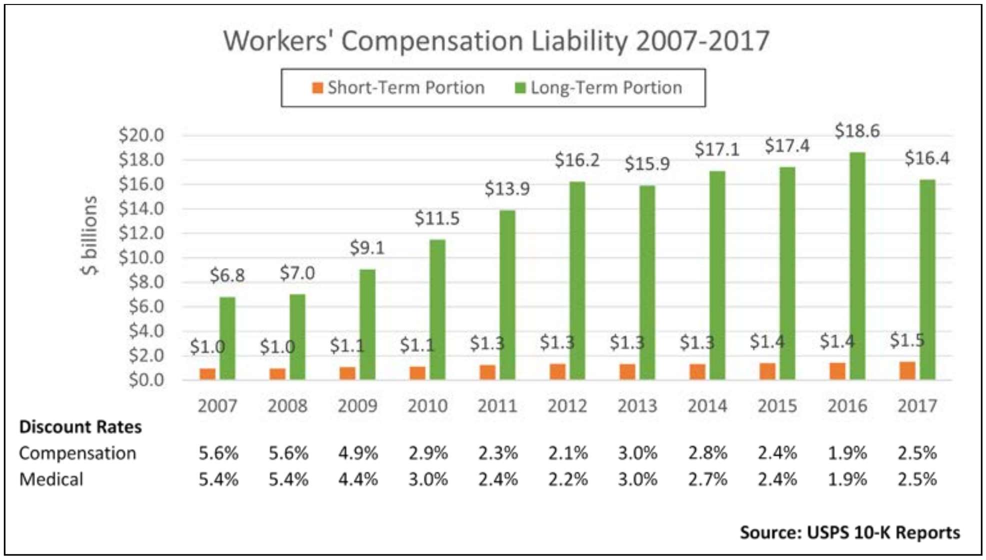
- **The Postal Service’s balance sheet is misleading and can be strengthened without compromising the integrity of its networks.** Given the sheer size of the Postal Service and the hugeness of its active and retired workforces, observers often cite the agency’s $100 billion in unfunded liabilities as an issue of concern. However, the liabilities are artificially inflated by today’s low interest rates and the agency’s assets are doubtlessly understated as well.

  The chart on the next page, which addresses USPS workers’ compensation liabilities, demonstrates the huge impact of low and falling interest rates have had on projected liabilities – benefits have been stable over the past decade, but the liabilities have soared due to declining interest rates. The discount rates for postal FECA benefits fell from 5.6% in 2007 to less than 2.0% in 2016 before slightly rising in 2017. Indeed, the resulting actuarial adjustments added more than $10 billion to USPS losses since 2007.

  Although the same thing has happened with the Postal Service’s pension liabilities, its CSRS and FERS pension accounts are as well-funded (85-90%) or better funded than typical private sector pension plans.

  Meanwhile, the Postal Service’s assets may be understated as well – its significant real estate holdings are carried at book value on its balance sheet. According to the USPS Office of Inspector General (OIG), the Postal Service’s real estate holdings at market rates are worth as much as $85 billion, not the $15 billion reported on its balance sheet.[8]

[8] https://uspsoig.gov/sites/default/files/document-library-files/2015/ft-wp-15-003_0.pdf



Similarly, if the $335 billion in Treasury bonds held by the Postal Service's pension funds and retiree health fund (PSRHBF) were invested in private sector stocks and bonds, its unfunded liabilities would fall dramatically. As a recent report of the USPS OIG concluded, the current policy of requiring these accounts to be invested in low-yielding Treasury securities is the riskiest portfolio if the objective is to fully fund retirement benefits and ensure that federal taxpayers will not have to cover them in the future.[9]

Last year, the postal accounts in CSRS, FERS and the PSRHBF respectively earned 4.1 percent, 3.6% and 2.8 percent on their Treasury bond portfolios. Had these funds been invested in the balanced, long-term portfolio of stocks, fixed income securities and government bonds provided by the Thrift Savings Plan's Lifecycle 2050 Fund, these accounts would have earned 18.8% last year. Investing our assets so poorly cost the PSRHBF approximately $8 billion in 2017 alone. The forgone earnings for the CSRS and FERS postal accounts exceeded $40 billion.

Altogether, this sub-optimal investment of the Postal Service's retirement funds suggest that the USPS is indirectly subsidizing the federal government (taxpayers) to the tune of some $10 billion per year on average. (Note: The USPS has not received any taxpayer funds since 1982.)

Changing these investment policies should be a priority, starting with the PSRHBF. Indeed, an analysis conducted for NALC by Lazard Co. a few years ago found that the PSRHBF would have had $10 billion more in assets if the fund had been invested in the TSP's L 2040 Fund starting in 2007 – even taking into account the impact of the 2008 stock market crash.[10]

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[9] https://www.uspsoig.gov/sites/default/files/document-library-files/2017/FT-WP-17-001.pdf

[10] Contact NALC to obtain a copy.

- **The Postal Service does not need a new business model or a broad legislative restructuring; it needs relief from the prefunding burden and a more reasonable system for regulating postage rates.** The former can be achieved by a combination of executive and legislative action; the latter is currently being undertaken by the PRC with a formal review of the rate-setting system – as mandated by the PAEA.

- **We urge the Task Force to take advantage of the expertise of the Postal Regulatory Commission and the USPS Office of Inspector General on matters of pricing and measuring the cost of universal service and the value of statutory provisions like the mailbox stature.** Although there has been some research conducted by think tanks and consultants financed by private interests, these matters are technical and complicated and the expertise developed over decades by these independent agencies is much more reliable.

- **We urge the Task Force to take note of the work that has been done in Congress and by the Postal Service and its stakeholders to develop a consensus approach to postal reform (which is reviewed in the attachment).** There is no need to 'reinvent the wheel.' Instead, it is preferable to focus on practical solutions based on actual Postal Service data and the previous work of agencies such as the USPS OIG and the PRC.

  Data and studies from ideological think tanks or research financed by Postal Service competitors should be viewed skeptically, particularly those concerned with the pricing of packages, alleged subsidies received by the Postal Service, and the benefits of privatization and deregulation. A closer analysis reveals such studies are deeply flawed.

- **Finally, we believe the Task Force's top priority should be "to do no harm" both to the $1.4 trillion mailing industry and its 7.5 million workers and to the American people, especially those who live in rural states and economically challenged urban areas.**

  - Many sectors of the economy depend a great deal on the Postal Service, so the Task Force should be cautious in its recommendations.

  - Access to a universal system of communication that ensures the sanctity of the mail is invaluable to the American people. Similarly, the ability of the government to reach all of its citizens and to distribute information and, if need be, supplies and medicines in the event of natural disasters or national security crises should be preserved. The Postal Service is the first sign of normalcy following such events, handling thousands of temporary changes of address, setting up places for mail pickup, and delivering to homes and businesses as soon as neighborhoods are safe to enter.

  - A policy aimed at stabilizing the Postal Service's finances is the preferred approach; it will provide the Postal Service and its employees the best chance to continue to adapt to the changing needs of America's businesses and citizens.

Workforce Policy Recommendations

As discussed above, the workforce believes that reducing or eliminating the crushing burden placed on the Postal Service by the PAEA's retiree health prefunding mandate is the core issue that should be addressed by the Task Force. There are essentially four ways to go about doing this:

- Repeal the mandate. The first and simplest option would be straight-forward: Repeal of the prefunding mandate legislatively. This could be achieved with a one-line bill: "Strike 8909a(d) from Title 5 U.S.C." This would eventually return the Postal Service to the pre-PAEA situation when it followed typical private sector practice – funding retiree health insurance costs on a pay-as-you-go basis. But in the meantime, it would simply use the PSRHBF for its intended purpose: To pay for retiree health premiums.

  According to a survey of Fortune 1000 companies by Willis Towers Watson, 61 percent of such companies do not prefund at all. In the federal government, only the military prefunds such benefits, though the funds are appropriated.[11]

  As it stands, the Postal Service has already amassed nearly $50 billion for future retiree health benefits – enough to cover those expenses for 10-15 years. Ending the prefunding mandate would save the USPS up to $4.4 billion annually. It would return USPS to profitability and allow the agency to replace its vehicle fleet and to make other long-delayed investments required to maintain quality service – boosting the national economy through purchases of American-made goods. And since the Postal Service has not been making additional prefunding payments in recent years, repealing the mandate would not lead to a negative CBO "score" – that is, it would not raise the federal deficit.[12]

- Reduce the burden of prefunding. A second option would be to minimize the burden of prefunding by reducing the liability to be prefunded and investing the assets of the Postal Retiree Health Benefits Fund (PSRHBF) more sensibly.

  Under current law, USPS is required to prefund the total projected cost of future retiree health benefits (assuming all current postal employees will retire from USPS and qualify for benefits), not the actual liability for such benefits of employees and retirees as they become eligible (vested) each year. In addition, the OPM is required to invest the PSRHBF's assets in low-yielding Treasury bonds – instead of in private sector stocks and bonds that pay much higher returns.

  Legislatively changing the prefunding mandate to apply only to the vested liability would fully protect the taxpayers' interests while dramatically reducing the cost of prefunding. That's because the vested liability for future retiree health costs – the actual amount taxpayers would have to pay if the USPS went out of business tomorrow – is $41 billion less than the total projected liability, which implausibly assumes the postal workforce will not shrink in the future.

  Allowing the OPM to invest the PSRHBF the way the federal Thrift Savings Plan is invested, for example, would greatly increase the PSRBF's earnings – perhaps doubling them over time.

[11] See *Accounting for Pensions and Other Postretirement Benefits 2017,* August 2017, Willis Towers Watson.
[12] See the CBO score of H.R. 756, which reached this conclusion: https://www.cbo.gov/publication/52783.

Both these measures would reduce both the normal cost and amortization payments required for retiree benefits under current law – and go a long way toward stabilizing USPS finances.

- Further reduce the burden of prefunding by fully integrating with Medicare. A third option to address the prefunding burden centers around the policy proposal developed by the Postal Service's oversight committees over the past six years: Medicare integration. The idea is to significantly reduce the cost of future postal retiree health benefits – and therefore reduce the burden of prefunding those benefits – by adopting private sector best practice on Medicare enrollment. That practice is to require all retirees covered by company health insurance plans to enroll in Medicare Parts A and B at age 65.

  If mandatory enrollment were applied to the Postal Service, where 80% of annuitants already voluntarily enroll, the agency and its employees would be able to take full advantage of the $40 billion in Medicare payroll taxes they have contributed to Medicare since 1983. And if, in addition, postal employee health plans were reformed to follow the private sector practice of using the Medicare Part D law to reduce the cost of prescription drugs for seniors, the unfunded liability for retiree health could be virtually eliminated.

  Variations of these reforms are at the heart of H.R. 756, which was adopted by the House Oversight and Government Reform committee last year, and S. 2629, the bipartisan postal reform bill introduced in the Senate by Sens. Carper and Moran earlier this year.

  H.R. 756 has stalled in Congress because of opposition in the House Ways & Means Committee to the modest increase in Medicare spending it would cause (with no offset to the Medicare Trust Funds during the CBO's 10-year scoring window), and because of the objections of some stakeholders to requiring the small minority of senior postal annuitants who have chosen not to enroll in Medicare Part B to do so. Therefore, to avoid a negative CBO score, we suggest Congress apply these reforms prospectively, mandating Medicare enrollment for active employees under the age of 55, who would be required to enroll in Medicare in the future, when they reach the age of 65 – with appropriate exemptions for those (like combat veterans) who cannot benefit from enrollment in Part B or those facing significant economic hardships. In the meantime, the FEHBP program should be reformed to create postal-only plans that would adopt private sector best practice on prescription drugs under the Medicare Part D law.

- Adopt fair pension responsibility methods. A final option could be achieved via legislation or an executive order – requiring the OPM to adopt private sector best practice in the valuation of the Postal Service's CSRS pension account. Such a valuation is done annually and requires OPM to allocate responsibility for pension costs for postal employees between two accounts, the federal (taxpayer) account for service before 1971 (when the USPS was created) and a postal (USPS) account for benefits associated with service in 1971 or later, after postal reorganization.

  As indicated above, a 2010 PRC report prepared by the Segal Company called for the OPM to adopt private sector best practice in its annual valuation of the Postal Service's CSRS pension account – a step that would have created a $50-$55 billion surplus in the account. Since any surplus in that account, by law, is to be transferred at designated intervals to the PSRHBF and could largely eliminate the prefunding burden, this idea was included in a bill (H.R. 1351) that attracted majority bipartisan support in Congress in 2011-2012. Unfortunately, the bill did not advance. As discussed above, nor did the Obama administration use its power to adopt the methods administratively – despite the urging of Sen. Susan Collins, one of the primary authors of the PAEA.

Adding to the attraction of this idea is a new report (issued May 7, 2018) from the USPS OIG. It updates the analysis of the 2010 PRC/Segal report and found that the postal surplus, fairly calculated, now stands at least $80 billion.[13] Indeed, the same report found than another reasonable method would generate a postal surplus of $110 billion. If the actuarial methods used in the private sector were adopted by law or executive order, the Postal Service's liabilities under CSRS would be fully funded; those of the PSRHBF would be nearly or fully funded. This would save the Postal Service billions annually in normal cost and amortization payments.

All these approaches individually, or in combination, would address the financial crisis caused by the PAEA without weakening the Postal Service's invaluable networks. The positive benefits of these options are summarized in the attached "policy options" chart.

Together with a reformed system of rate-setting expected to be unveiled by the PRC in the months to come, the Postal Service would be positioned to thrive in the 21st Century.

We urge the Task Force to focus on the core issue – prefunding – and to support these policy recommendations.

[13] https://www.uspsoig.gov/sites/default/files/document-library-files/2018/RARC-WP-18-009.pdf