# Making the best private practices into public policy in 2016

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The new year is upon us and 2016 is looking like a momentous one—bargaining for a new contract, our 70th Biennial Convention in L.A. and a national election are on the agenda. But to kick off 2016, we will be engaging Congress in hopes of completing our 10-year quest to achieve positive postal reform. It may surprise some that the "union" solution to such reform hinges on "private-sector best practice."

The Postal Service is constantly urged to be more "business-like," even as Congress imposes burdens on USPS that it would never place on private businesses—such as the unique mandate to pre-fund the cost of future retiree health insurance premiums for hundreds of thousands of postal employees and annuitants decades in advance. That mandate accounts for nearly 88 percent of the $56.1 billion in losses recorded since the passage of the Postal Accountability and Enhancement Act of 2006—losses that have obscured $2.9 billion in operating profits over the past three years.

Normally, we raise a lot of objections when folks tell USPS to simply operate like a business. After all, USPS is not just a business with a goal to maximize profits. It is a vital public service, based in the Constitution of the United States, with a mission to provide affordable delivery and retail services to all 152 million households and businesses in the country. Its goal is to help bind the nation together economically, politically and socially. So while USPS must be efficient like a successful business, it also must fulfill crucial public functions—from ensuring the free flow of ideas through the affordable delivery of periodicals and facilitating trillions of dollars in e-commerce sales and financial transactions, to promoting democracy through vote-by-mail and maintaining the nation's only truly universal communications service.

**Nevertheless, when it comes to postal reform, it turns out that** adopting private-sector best practices might be the key to legislative progress.

NALC and the other three postal unions have joined with the Postal Service and dozens of companies to advocate a consensus postal reform plan that resolves the pre-funding crisis. These companies range from well-known corporate giants such as Amazon and Capital One Bank and familiar companies like Hallmark Cards and State Farm insurance, to essential direct-marketing companies such as Valassis and organizations crucial to rural America such as Harris Seeds and the National Newspaper Association. The September issue of *The Postal Record* summarized this proposal. But here I want to emphasize its common-sense quality and its reliance on the ordinary practices of America's largest businesses.

The key to stabilizing the Postal Service's finances and strengthening its long-term viability is to bring down the cost of pre-funding. This can be achieved by lowering the cost of medical expenses covered by Federal Employee Health Benefit (FEHB) plans that insure postal employees and by investing the Postal Service Retiree Health Benefits Fund (PSRHBF) in a way that maximizes the Fund's earnings and minimizes its investment risk. Private-sector practice points the way.

First, virtually all large private companies minimize the cost of retiree health insurance by ensuring that all retirees covered by their plans also enroll in Medicare Parts A and B, and by providing deeply discounted prescription drugs through those plans by taking advantage of Medicare Part D. Reforming FEHB to adopt these practices for postal annuitants would effectively eliminate the need for large pre-funding payments. The legislation we are seeking would not force any health plan out of FEHB and would not require NALC members to change plans. The vast majority of Medicare-eligible postal annuitants already participate in both FEHB and Medicare Parts A and B. With this reform, such annuitants would enjoy significantly lowered drug costs from their existing plans, and all our members would see the cost of their FEHB premiums decline.

Second, private companies with retiree health funds invest those funds in balanced portfolios of stocks, bonds, real estate and Treasury securities—the same way they invest their pension funds. By contrast, the PSRHBF is required by law to invest 100 percent of its assets in low-yielding Treasury bonds. As I argued in my President's Message in the July 2015 *Postal Record*, that's a good deal for Uncle Sam but it makes no sense for the Postal Service. Investing in a fund such as the Thrift Savings Plan's Lifecycle 2050 Fund would safely and inexpensively raise the long-term rate of return of the PSRHBF—and therefore would dramatically reduce the cost of pre-funding. Earning 6 percent to 7 percent on our fund instead of the current 2 percent to 3 percent just makes common sense. That's why we included it in our consensus reform plan.

**Businesses, postal management and postal labor have come** together to support sensible reform. Now it's time for Congress to join us. In this case, the best private-sector practice could just be the best public policy. It could also make for a very happy new year.