News from Washington

Fiscal Year ’17 financial report highlights need for rate, legislative reform

On Nov. 14, the U.S. Postal Service released its financial report for Fiscal Year 2017, covering the period from Oct. 1, 2016, through Sept. 30, 2017.

“Today’s report shows the underlying business strength of the Postal Service,” NALC President Fredric Rolando said in a statement following the report’s release, “while also indicating the need to address external matters beyond USPS control.”

The report showed that USPS ended the fiscal year with an operating loss of $800 million, something that Rolando said reflects the impact of the April 2016 rollback in stamp prices.

“Without the two-cent reduction in stamp prices, Fiscal Year 2017 would have an operating profit of $1.2 billion,” the president said, noting that the rollback reduces postal revenues by $2 billion annually.

If the original rate had been kept in place, Rolando said, the Fiscal Year 2017 figure would be on a par with those of the previous three years, which had a combined operating profit of $3.2 billion. Rather than having the Postal Service report financial losses, he said, “We would be talking about a government entity producing an impressive operating profit through earned revenue.”

By law, Rolando noted, USPS receives no taxpayer money, supporting its operations through the sale of postage and postal products and services.

Furthermore, the president said, the rollback in stamp prices—the first since 1919—makes little financial sense because the Postal Service already has the industrial world’s lowest rates.

At present, USPS is constricted in its ability to adjust rates by no more than the Consumer Price Index—but the CPI is an economy-wide measurement of consumer goods and services that doesn’t fit a transportation and delivery provider, Rolando said.

“Fortunately, the Postal Regulatory Commission is in the midst of a legally mandated review of the postage rate-setting system,” he said.

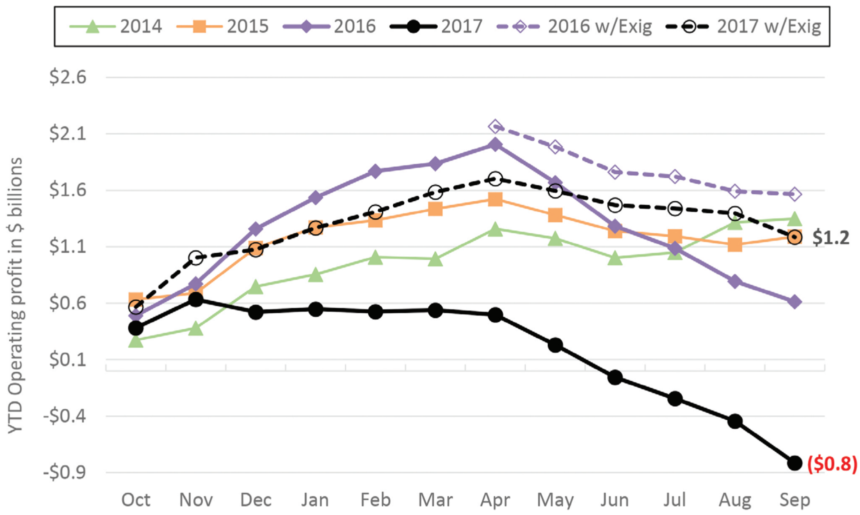
“The PRC has the ability to correct this mismatch and relieve the resulting financial pressure,” he said. (Read more about the PRC’s review below.)

Meanwhile, Rolando said, Congress should address the financial burden it imposed on the Postal Service in 2006—the requirement that the agency, alone among all public and private entities, pre-fund decades’ worth of its future retiree health care benefits.

“This produces an onerous annual liability worth billions of dollars,” he said.

Addressing pre-funding, he said, “would allow USPS—which is based in the Constitution and which enjoys broad public and political support—to continue providing Americans and their businesses with the industrial world’s most affordable delivery network.”

Impact of Exigent Price Rollback on Operating Profits



Notes to chart: Exigent prices for market dominant products were effective from January 26, 2014 through April 10, 2016. Dotted lines (“2016 w/Exig” and “2017 w/Exig”) show estimated operating profit in 2016 and 2017 had exigent prices not been eliminated. Exigent estimates for 2016 and 2017 based on quarterly exigent revenue distribution from 2015.

Trump nominates three for USPS Board of Governors

In October, President Donald Trump submitted three nominees for the U.S. Postal Service’s Board of Governors.

Trump nominated David Williams to serve the remainder of an unfilled term that expires Dec. 8, 2019. Previously, Williams served as the Postal Service’s inspector general from 2003 until his retirement in 2016.

Also nominated was Robert M. (Mike) Duncan, a banker who served as chairman of the Republican National Committee from 2007 to 2009. Earlier this year, Trump appointed

Duncan to lead the President's Commission on White House Fellowships. Duncan also ran the Tennessee Valley Authority under Presidents George H.W. Bush and George W. Bush. His nomination is for the remainder of an unfilled term that expires Dec. 8, 2018, and for an additional seven-year term expiring Dec. 8, 2025.

And the president nominated Calvin Tucker to fill the remainder of a term expiring Dec. 8, 2023. Tucker is president of a financial services consulting firm and chairman of the Philadelphia Black Republican Council. He has had some experience with USPS; one family business he previously owned and managed was International Mailing Technologies.

The Board of Governors, which was created by the Postal Reorganization Act of 1970 (PRA) to oversee and direct the executive management of the Postal Service, has been essentially vacant since last December, when the term of the last remaining appointee expired—though Postmaster General Megan Brennan and Deputy PMG Ronald Stroman are members of the board, by virtue of their offices. In December 2014, as more and more governors' terms were expiring, the board created a so-called "temporary emergency committee" to allow it to continue to operate in the absence of a quorum.

To help ensure that the board remains bipartisan, the PRA stipulates that no more than five governors can be from the same political party, with the president's party permitted to hold the majority on the board. Typically, governors serve seven-year terms, though the law allows them to stay in office for one "hold-over" year designed to allow the president and the Senate to name replacement governors.

The nominees must be reviewed by the Senate Homeland Security and Government Affairs Committee before they can be sent to the full Senate for a confirmation vote. At press time, however, neither action had been scheduled. If the Senate approves Trump's three nominees, there still will be six open Board of Governors seats.

A modest win in an ongoing budget battle

On Oct. 26, the House of Representatives voted to adopt a budget resolution that sets funding levels for the government for Fiscal Year 2018, which runs through Sept. 30.

When the resolution, H. Con. Res. 71, initially passed the House on Oct. 5, it allowed Congress to use a tactic known as "budget reconciliation, which permits the Senate to pass a measure with only 50 votes, since the vice president would break a 50-50 tie, rather than the 60 votes needed to avert a filibuster.

The House and Senate also had differing opinions on reconciliation instructions, forcing certain committees to find $32 billion in cuts for programs under their jurisdictions. Following extensive lobbying, Congress opted only to target select committees having jurisdiction over tax reform legislation. This decision spared the House Oversight and Government Reform Committee and the Senate Homeland Security and Government Affairs Committee from being forced to look for cuts that likely would have resulted in changes to federal employees' health and retirement benefits. While this is positive news for letter carriers and the larger federal employee community, H. Con. Res. 71 does pave the way for potentially harmful tax cuts as well as massive reductions in Medicare and Medicaid spending.

"For now at least, major cuts to our benefits should be much harder to enact—a major victory for letter carriers and all federal employees," President Rolando said. "But we are not entirely in the clear—the anticipated Medicare and Medicaid cuts will not spare retired letter carriers, and potential tax cuts could explode the deficit and expose our benefits to future cuts.

"No matter what happens, proposals designed to slash our benefits will likely be topics of conversation in Congress for the foreseeable future," Rolando said. "Letter carriers must remain vigilant and continue to educate our elected representatives about the dangers of such proposals."

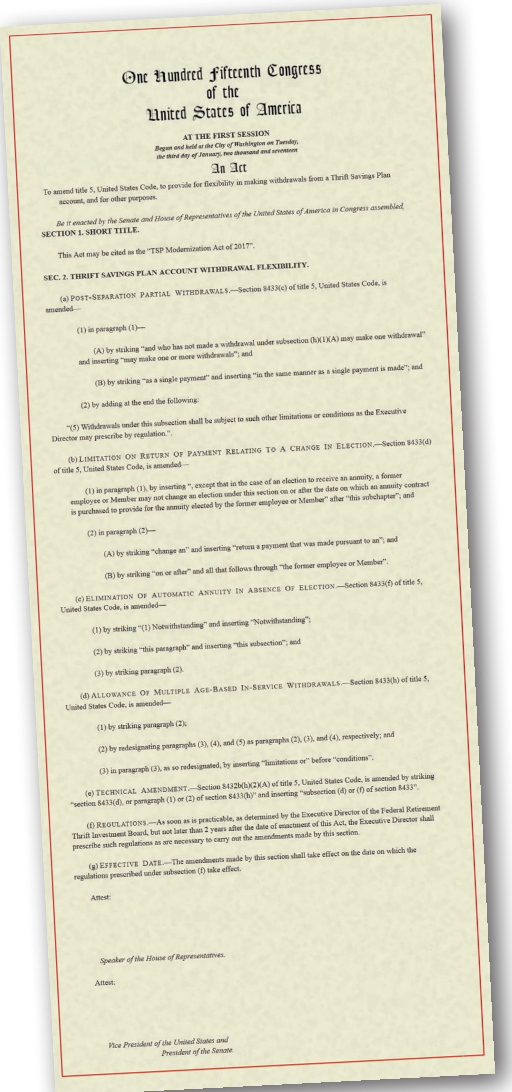
Rates rise as rate-setting review continues

The PRC has approved a request by the Postal Service to raise the price of a First Class Mail stamp by a penny—from 49 cents to 50 cents—effective Jan. 21.

Priority Mail rates also are set to go up by an average of 3.9 percent—still a smaller increase than the 4.9 percent raises planned by UPS to go into effect on Christmas Eve and by FedEx on New Year's Day.

The Postal Service's rate increase comes as the PRC is reviewing the way USPS sets prices for postage and postal products—a review called for by the 2006 Postal Accountability and Enhancement Act.

"NALC continues to work with the other postal unions to help ensure that the PRC goes about its review in a positive, constructive way," President Rolando said, adding that postal management, mailers, trade associations and other interested parties also are taking part in review discussions.



One Hundred Fifteenth Congress
of the
United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the third day of January, two thousand and seventeen

An Act

To amend title 5, United States Code, to provide for flexibility in making withdrawals from a Thrift Savings Plan account, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "TSP Modernization Act of 2017".

SEC. 2. THRIFT SAVINGS PLAN ACCOUNT WITHDRAWAL FLEXIBILITY.

(a) POST-SEPARATION PARTIAL WITHDRAWALS.—Section 8433(c) of title 5, United States Code, is amended—

(1) in paragraph (1)—

(A) by striking "and who has not made a withdrawal under subsection (h)(1)(A) may make one withdrawal" and inserting "may make one or more withdrawals"; and

(B) by striking "as a single payment" and inserting "in the same manner as a single payment is made"; and

(2) by adding at the end the following:

"(5) Withdrawals under this subsection shall be subject to such other limitations or conditions as the Executive Director may prescribe by regulation.".

(b) LIMITATION ON RETURN OF PAYMENT RELATING TO A CHANGE IN ELECTION.—Section 8433(d) of title 5, United States Code, is amended—

(1) in paragraph (1), by inserting ", except that in the case of an election to receive an annuity, a former employee or Member may not change an election under this section on or after the date on which an annuity contract is purchased to provide for the annuity elected by the former employee or Member" after "this subchapter"; and

(2) in paragraph (2)—

(A) by striking "change an" and inserting "return a payment that was made pursuant to an"; and

(B) by striking "on or after" and all that follows through "the former employee or Member".

(c) ELIMINATION OF AUTOMATIC ANNUITY IN ABSENCE OF ELECTION.—Section 8433(f) of title 5, United States Code, is amended—

(1) by striking "(1) Notwithstanding" and inserting "Notwithstanding";

(2) by striking "this paragraph" and inserting "this subsection"; and

(3) by striking paragraph (2).

(d) ALLOWANCE OF MULTIPLE AGE-BASED IN-SERVICE WITHDRAWALS.—Section 8433(h) of title 5, United States Code, is amended—

(1) by striking paragraph (2);

(2) by redesignating paragraphs (3), (4), and (5) as paragraphs (2), (3), and (4), respectively; and

(3) in paragraph (3), as so redesignated, by inserting "limitations or" before "conditions".

(e) TECHNICAL AMENDMENT.—Section 8432b(h)(2)(A) of title 5, United States Code, is amended by striking "section 8433(d), or paragraph (1) or (2) of section 8433(h)" and inserting "subsection (d) or (f) of section 8433".

(f) REGULATIONS.—As soon as is practicable, as determined by the Executive Director of the Federal Retirement Thrift Investment Board, but not later than 2 years after the date of enactment of this Act, the Executive Director shall prescribe such regulations as are necessary to carry out the amendments made by this section.

(g) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date on which the regulations prescribed under subsection (f) take effect.

Attest:

Speaker of the House of Representatives.

Attest:

Vice President of the United States and President of the Senate.

"Any proposed change in the rate-setting system is likely to involve another public comment period," Rolando said, "and we fully intend to participate in the commission's future deliberations—gathering data, evaluating alternatives, making recommendations and submitting testimony."

For more about this review, see the November *Postal Record*.

Better TSP withdrawal options coming

After the Oct. 11 passage by the House of Representatives of the Thrift Savings Plan Modernization Act (H.R. 3031), the Senate followed suit on Nov. 6. The bill now awaits President Trump's signature.

The measure calls for giving participants in the TSP more options for managing their investments in the plan, a retirement savings program for federal employees similar to the 401(k) plans offered by many private-sector companies.

Under the new law, federal employees and retirees would be allowed to make multiple age-based withdrawals from their TSP accounts and remain eligible for partial withdrawals should they leave government service. Those who left government service would be permitted to make multiple partial post-separation withdrawals.

Once signed into law, the bill would allow participants to stop quarterly or annual payments, permit periodic withdrawals to be changed at any point during the year, and save the option to purchase an annuity while receiving monthly benefits.

"Passage of this legislation is a great step toward providing flexibility to letter carriers and federal employees who are investors," President Rolando said. "Our brothers and sisters who work in the private sector have had this ability for years, so we welcome these fair changes in the way we can manage our own retirement savings."

After Trump signs the bill into law, as expected, TSP participants may need to wait up to two years for the agency's oversight board to write regulations allowing the new withdrawal options to take effect.

In the news media

NALC Executive Vice President Brian Renfroe was quoted in a Nov. 6 story for Trucks.com about the next generation of postal delivery vehicles.

On Oct. 19, Price, UT Branch 2171 letter carrier **Trent Hanna** came to the rescue of a customer whose hand was seriously injured when a grinder tool he was using to work on a wood-burning stove malfunctioned. Hanna was featured in an Oct. 31 story about the incident in Price's *Sun Advocate* and in an Oct. 29 story in *The Salt Lake Tribune*. Both stories also quoted Branch 2171 President **Mark Montoya.**

Lincoln, NE Branch 8 letter carrier **Larry Schultz,** on the job for 51 years and counting, was profiled on Oct. 15 in the *Lincoln Journal Star*.

Idaho State Association President **John Paige's** letter to the editor of *The Idaho Statesman* ran on Nov. 7. Another letter ran in the *Idaho Press-Tribune* and the *Idaho State Journal* on Oct. 15.

Links to these and other stories can be found on nalc.org under "Postal Facts." **PR**