NALC Fact Sheet

Department of Legislative and Political Affairs — National Association of Letter Carriers, AFL-CIO
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Support USPS Fairness Act (H.R. 695/S. 145)

Repeal the pre-funding mandate

In 2006, the Postal Accountability and Enhancement Act (PAEA) was enacted, a postal reform law with a mandate that USPS "pre-fund" decades' worth of health benefits for its future retirees. This liability is unique to the Postal Service since no other public or private enterprise in America is required to pre-fund retiree health benefits (RHB). The mandate manufactured a financial crisis in an otherwise profitable agency. NALC fully supports the elimination of this mandate through passage of the bipartisan USPS Fairness Act (H.R. 2382).

As reported in the Postal Service's annual 10-K financial statements, the mandate has cost an average of $5.4 billion annually since 2007 and is responsible for **92 percent** of USPS losses over the last twelve years. It accounts for 100 percent of losses from 2013-2018:

Impact of the Pre-funding Mandate on USPS Net Income under the PAEA ($billions)

Fiscal Year	Net Income/ (Loss)	RHB Pre-funding	**Net income without Pre-funding**
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)	(4.3)	**1.6**
2018	(3.9)	(4.5)	**0.6**

Were this burden not imposed, USPS would have recorded surpluses of nearly $4.0 billion since 2013.

The pre-funding mandate has prevented the agency from properly investing in its networks. Even worse, the resulting financial losses have been used to both threaten core services that Americans rely on—such as door-to-door service, six-day delivery, and convenient post office hours—and to advance proposals to privatize the Postal Service and attack the jobs and rights of America's postal employees.

USPS is at the heart of a $1.4 trillion mailing industry that employs 7.5 million Americans. Its unmatchable networks link more than 157 million American households and businesses to each other seven days a week. It is essential to our nation's voting systems and to multiple industries, communities and populations, including: e-commerce; prescription drugs; the nation's paper, publishing, and advertising businesses; and to millions of small businesses and tens of millions of citizens in rural, suburban, and urban communities across the country.

The pre-funding mandate forced the Postal Service to exhaust its $15 billion borrowing limit with the U.S. Treasury and prompted USPS to defer needed investments in its networks. Despite its challenges over the last decade-plus, the Postal Service has amassed nearly $50 billion for future retiree health benefits—enough to cover premiums for 10-15 years. Ending the pre-funding mandate would save USPS billions annually by returning to a pay-as-you-go system of reimbursing the Office of Personnel Management for actual health premiums.

The Postal Service, the most trusted and highest-rated agency in the federal government, plays an essential role in our economy. Its current financial crisis need not continue. If the prefunding mandate were removed and a new rate-setting system (now being developed by our regulators) were installed, the agency would be well-positioned to thrive in the 21st Century by investing in its networks and new products and improving service quality—all while honoring its retiree health obligations.

NALC supports H.R. 695/S. 145, the bipartisan USPS Fairness Act, which would repeal the pre-funding mandate.

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Door delivery (H. Res. 109)

More than 36 million American businesses and households receive mail directly to their doors six—and increasingly, seven—days a week. The ability to receive packages, letters, bills, and medications at your door is a service that is highly preferred by the public and vital to the economic success of not only the U.S. Postal Service (USPS), but also the broader $1.4 trillion mailing industry that employs more than 7.5 million Americans.

Customers prefer door delivery

The alternative to receiving paychecks, bills, medications, and packages regularly and reliably at your door is for them to be delivered to centrally-located cluster boxes. But customers clearly prefer door delivery, according to surveys by the USPS Office of Inspector General (OIG) -- over two thirds of respondents said that they would be willing to pay more money to maintain delivery to their doors.

Door delivery is more secure than cluster boxes. Every year, USPS receives thousands of reports about theft, arson, and vandalism of cluster boxes. Package deliveries are at an all-time high and continue to skyrocket. Increased delivery to less-secure cluster boxes may mean more vandalism and theft.

Door delivery supports America's businesses

Business mailers, large and small alike, prefer door delivery because their customers prefer it. Such delivery generates higher response rates compared to other delivery methods. According to the USPS OIG, mail delivered to cluster boxes not only is retrieved far less frequently than that which is delivered straight to your door, but also is more likely to be discarded without being read, lowering its marketing value

Door delivery is a sustainable source of revenue

The Postal Service's unmatchable network, with tens of millions of door-delivery addresses, attracts businesses that wish to market themselves through the mail, thereby generating revenue for USPS. More than half of all mail volume is advertising mail (over 77 billion pieces), which generated $16.5 billion in revenue for USPS in FY18. This revenue is derived in large part because letter carriers deliver six or seven days a week straight to the door.

The eyes and ears of our communities

Because letter carriers are delivering mail to our communities every day, no one knows our neighborhoods better. As a result, letter carriers are often first on the scene when something is wrong: coming to the rescue or spotting fires, injuries, and thefts along their delivery routes. Often the only source of daily contact for homebound Americans, this human connection is possible because of door delivery.

Door delivery should be expanded, not restricted or eliminated. Cutting it would undermine the Postal Service's 'last mile' advantage, and likely reduce revenues by more than any cost savings.

NALC supports H. Res. 109, which maintains door delivery for all business and residential customers.
Sponsored by Reps. Stephanie Murphy (D-FL) and David Joyce (R-OH)

Oppose Postal Privatization (H. Res. 47)

Nearly 500 million pieces of mail are delivered to over 157 million addresses six days a week by the U.S. Postal Service. USPS's service obligation allows communities large and small to benefit from the same level of service, regardless of wealth. It also allows USPS to partner with private shippers, which would be unable and unwilling to service much of the country without help.

With founding principles in the U.S. Constitution, USPS has remained a national treasure since its formation in 1792. This self-sustaining, independent establishment of the federal government does not receive any taxpayer funding and relies solely on revenue derived from the sale of postal services and products.

The Postal Service is the core of U.S. mailing industry

- With 630,000 employees, USPS is at the center of the $1.4 trillion mailing industry that employs over 7.5 million Americans (5 percent of all jobs nationwide).
- USPS's universal network plays a crucial role in the function of private shippers such as UPS, FedEx, and Amazon, which partner with USPS because it provides unique 'last-mile delivery' to every business and residential customer in the country six or seven days a week. This reliable, efficient service is too costly for private shippers to maintain alone.
- USPS's massive infrastructure guarantees that no matter where you are in the country—urban, suburban, or rural—USPS will deliver to you.
- USPS delivers more than half of all business-to-consumer and consumer-to-consumer packages each year.

International impacts of privatization.

- Throughout the European Union, postal privatization and profit maximization efforts resulted in disinvestment, lower service quality, and higher prices (despite more competition) as well as drastic cuts to both employment and wages.
- Privately-owned post offices only operate in areas deemed lucrative, resulting in large sections of unserved rural, suburban, and even low-income urban areas.
- Between 2010 and 2013, only a few years after the EU began the process of postal privatization, prices in France increased by 13 percent, in Italy by 17 percent, and in the UK by 50 percent.
- Despite job gain predictions, postal privatization led the Royal Mail (UK) to shed 33 percent of its jobs and the Portuguese post to cut over 26 percent. Employment in the wider postal sector is down 26 percent in France and 31 percent in Belgium.

Privatizing the Postal Service would have far-reaching negative consequences nationwide.

- Privatization would jeopardize the jobs of 630,000 postal employees, over 25 percent of which are military veterans, and impact the 7.5 million Americans in the mailing industry.
- Service could cease for America's rural and low-income communities, negatively impacting nearly all 50 states in some form, but especially large, less-populous regions.

Financial losses are due to Congress, not USPS

- In 2006, Congress passed the Postal Accountability and Enhancement Act, a postal reform measure that included a mandate on USPS to "pre-fund" tens of billions of dollars for retiree health benefits decades in advance -- a crushing financial burden that no other enterprise in America faces.
- This pre-funding burden, which continues to cost USPS billions annually, accounts for 92 percent of losses since 2007 and 100 percent of losses over the past six years.

USPS is much more than a delivery service

Letter carriers provide far more than the delivery of mail. They are members of the community, the eyes and ears of their neighborhoods, and often the only source of daily contact for the elderly and disabled. They often serve as first responders for lost children and the victims of crimes, accidents and fires. And they provide the first sense of normalcy after hurricanes, floods and other natural disasters.

USPS is the nations' second-largest employer of U.S. military veterans and remains the most popular government entity in the U.S. (with an 88 percent approval rating).

Postal privatization imperils far more than its supporters reveal. It is not the answer to the USPS's manufactured financial crisis and it would not benefit the American public.

NALC opposes postal privatization in all forms and supports H. Res. 47, which calls on Congress to ensure that the Postal Service remains an independent establishment and not subject to privatization.

Six-Day Delivery (H. Res. 114)

The U.S. Postal Service (USPS) and its unmatchable network link 157 million American households and businesses to each other every day, six —and increasingly, seven— days a week. The ability to provide affordable, universal delivery to customers is unique to USPS and essential to all the Americans and businesses who depend on it.

Six or seven days a week, USPS delivers important mail containing paychecks, bills, and medications, regularly and reliably all across the country. No other organization offers this same level of service. No other organization is capable of delivering to every residential and business address in the nation, but the Postal Service does so every day and to the benefit of all Americans.

As the heart of a $1.4 trillion mailing industry that employs 7.5 million Americans, USPS is essential to the entire country -- 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.

Six-day mail delivery is valuable to the country's small businesses because they are able to serve their customers more quickly and reliably through the Postal Service than with less frequent and more expensive private delivery services. The density of the Postal Service's network—delivering to every address nationwide six days a week—is even valuable to private delivery companies that use USPS for "last-mile delivery," as it is the most affordable and efficient way to complete their deliveries.

In Fiscal Year 2018 (FY18), 493.4 million mail-pieces were processed and delivered every day by the Postal Service's 630,000 employees. These hardworking employees are also our nation's veterans, community leaders, and neighbors.

Six-day delivery is vital to the Postal Service, to American businesses, and to the country at large.

NALC supports H. Res. 114, which continues six-day delivery for all business and residential customers.

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Service Standards (H. Res. 119)

In response to a crushing 2006 postal reform measure that mandated the U.S. Postal Service (USPS) "pre-fund" retiree health benefits for its active and retired employees decades in advance, a unique burden (no other agency or company faces it), USPS made a terrible decision to slow the delivery of mail by reducing its service standards. This misguided approach was meant to reduce costs, but it failed to significantly improve the Postal Service's bottom line and hurt the efficient, reliable delivery of mail nationwide.

Before July 1, 2012, the Postal Service's standard for First-Class Mail was overnight delivery in most metropolitan areas and rural communities, but in January 2015 the Postal Service lowered its First-Class Mail service standards, eliminating the overnight promise. The agency revoked this guarantee in order to be able to change the way it processes mail, closing and consolidating facilities with a focus on reducing costs, rather than maintaining the capacity to preserve timely delivery.

In 2011, USPS announced an aggressive plan to eliminate over half of its 461 mail processing facilities in two phases, 140 consolidations or closures by 2013 and 89 consolidations or closures by 2014. The Postal Service projected it would save $805.5 million a year through these closures and consolidations – which were accompanied by the service standard reduction. While the first phase closed 141 facilities in 2012 and 2013, the second phase was delayed by nearly a year, after which only 15 facilities were closed and just 21 were consolidated. Further plans to downsize were suspended in May 2015 due to public outcry and overwhelming customer complaints.

These efforts, to reform service standards and to improve the Postal Service's bottom line, clearly failed. Facility closures resulted in slower service and delayed mail but did not generate the expected savings. A 2016 audit by the USPS Office of Inspector General concluded that the downsizing plan achieved only 10 percent of its projected savings of $805.5 million a year.

American businesses and the broader public were the main victims. Mailers and citizens now receive inferior service as a result of these misguided efforts to meet a needlessly burdensome retiree health prefunding mandate. This mandate accounts for 92 percent of the Postal Service's losses since 2007, and 100 percent of the losses over the past six years.

While service standards are not at immediate risk of further cuts, they must be improved to ensure acceptable and efficient levels of service are provided.

NALC supports H. Res. 119, expresses the sense that USPS should take all appropriate measures to restore service standards in effect as of July 1, 2012.

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Repeal Social Security's WEP and GPO provisions (H.R. 82)

Many retired letter carriers worked both for the Postal Service and for private sector employers over their working years, paying into both the federal pension programs (CSRS or FERS for their federal service) and into Social Security (for their private sector employment).

FERS retirees receive full benefits from both their federal pension plan and Social Security for their federal service since they paid into both systems while employed by the Postal Service. Although retired CSRS letter carriers naturally don't expect to receive Social Security benefits for their service for the Postal Service (for which they paid no FICA tax), most are shocked to find out that their Social Security benefits for their private sector work—or for the private sector work of their spouses—are usually reduced by provisions in the Social Security law enacted several decades ago.

These provisions—the Windfall Benefit Reduction (WEP) and the Government Pension Offset (GPO)—were adopted by Congress in the late 1970s and early 1980s to address the false perception that federal retirees were somehow "double dipping." In fact, these provisions are grossly unfair. The Social Security benefits of retired private sector workers are not reduced if such retirees receive benefits from private pension plans. CSRS retirees earned their full Social Security benefits and should receive them.

NALC has been working for decades to reform or repeal the WEP and GPO provisions. We are trying to do so once again in the current Congress, though budget rules that require tax increases or other spending cuts to pay for such legislation continue to be obstacles.

This fact sheet outlines how the two provisions work and the legislation before Congress to fix their unfairness.

Windfall Elimination Provision (WEP)

The WEP (enacted in 1982) reduces the Social Security benefits of retired public employees (federal, state and local) who also worked in Social Security-covered private sector employment—if they receive a government annuity for their non-Social Security-covered government employment. This provision hits CSRS retirees directly (but not FERS retirees). In all, nearly two million Americans have been adversely affected by the WEP provision—a number that will grow as more CSRS employees retire.

The WEP affects the determination of a new retiree's monthly Social Security benefit (the *Primary Insurance Amount*)—which involves a three-part calculation applied to a worker's *Average Indexed Monthly Earnings* (AIME) from Social Security covered employment. A worker's top 35 years of earnings are indexed to wage inflation to express earnings from years ago in today's dollars and then converted into a monthly average—or AIME. In 2019, the first $926 of a worker's AIME is multiplied by 90%, the next $4,657 of his or her AIME is multiplied by 32% and then any AIME more than $5,583 is multiplied by 15%. This formula insures that lower-income workers get a higher relative benefit.

That's how the calculation works for private sector workers and/or FERS workers (whose federal service is covered by Social Security). But for CSRS retirees, the first bracket of the calculation is different. The Social Security Administration multiplies the first $926 of their AIME (from private sector jobs) by 40% instead of 90%—reducing the benefit by $463 per month ($5,556 annually). This is grossly unfair—private workers with private pensions face no similar reduction in Social Security benefits.

The impact of the WEP can be reduced if CSRS workers have at least 21 years of substantial earnings from Social Security-covered employment (in private sector jobs before and after their CSRS employment—or through second jobs during their federal service). The 40% multiplier is increased to 45% for a worker with 21 years of substantial Social Security earnings—and by 5% for each additional year of such earnings—until it reaches the normal 90% multiplier for those with 30 years of such earnings. (See https://www.ssa.gov/pubs/EN-05-10045.pdf for a full explanation of the WEP from the Social Security Administration.)

Government Pension Offset

Normally, survivors and spouses of Social Security benefits qualify for spousal and survivor benefits based on the earnings and benefits of their spouses—unless they qualify for greater benefits based on their own Social Security earnings history. For CSRS letter carriers with little or no private sector work experience, such spousal and survivor benefits from Social Security could be significant—since their own Social Security would benefits would be minimal.

Unfortunately, the GPO (adopted in 1977) typically eliminates most, if not all, of the otherwise payable spousal and survivor benefits for retirees who receive a government annuity for non-Social Security work. That's because the GPO reduces Social Security spousal and survivor benefits by two dollars for every three dollars paid in CSRS annuity benefits to affected retirees.

For example, if a CSRS retiree's spouse receives $2,000 in Social Security retirement benefits, the 50% spousal benefit would normally be $1,000 per month. But if the annuitant receives $3,000 in CSRS benefits, his spousal benefit would be totally eliminated. The same grossly unfair impact is seen with Social Security survivor benefits. Again, Social Security recipients who receive private pensions see no reduction in the Social Security's spousal or survivor benefits.

NALC fully supports H.R. 82 and urges Congress to co-sponsor and pass into law this important legislation.