DELIVERING FOR AMERICA

The Truth about the Mandate to Pre-Fund Retiree Health Benefits

Claims that USPS loses billions of dollars a year delivering the mail are false.

The truth is, Postal Service's operational finances are not the most immediate problem. Facing the worst economic recession this country has seen in 80 years, the Postal Service and its employees rose to meet the challenge. From fiscal years 2007-2010, USPS enjoyed a net operating profit of $611 million delivering the mail. And in the first quarter of FY 2013, the Postal Service actually made a $100 million profit.

- **Why the red ink and crisis rhetoric?** The most immediate financial burden facing the Postal Service does not result from providing first-class service to the public or delivering the mail on Saturdays, but rather from a 2006 congressional mandate ordering USPS to pre-fund decades of future retiree healthcare benefits. The resulting annual payments have cost the Postal Service more than $32 billion since 2007, accounting for almost 80 percent of its red ink during this period.

- **Pre-funding retiree healthcare is rare.** USPS is the only enterprise in America that is required by law to pre-fund future retiree healthcare benefits. According the USPS Inspector General, the Postal Service is funded at 49 percent of its estimated liability. By comparison, the federal government does not pre-fund its retiree healthcare liabilities; the military only funds at 35 percent. In the private sector, only about one-third of Fortune 1000 companies who offer retiree healthcare benefits pre-fund. With $45 billion already sitting in this fund, it makes no sense to force the Postal Service to pre-fund even more during difficult financial times, especially when the system is at risk in large part due to this pre-funding burden.

- **As a direct result of pre-funding, USPS has reached its $15 billion debt limit.** In 2005, the Postal Service was debt free. Today, it holds $15 billion in debt – all of it traceable to pre-funding. Instead of exhausting its debt limit on needless pre-funding payments into a government fund, the Postal Service should have been able to utilize that borrowing capacity to make improvements to the postal network and to explore new business opportunities. Pre-funding is hurting the Postal Service's ability to adapt to the 21st century.

The real risks to the future of the Postal Service are the unnecessary cuts in service being proposed by postal management, and some members of Congress, in a panic. These cuts will only drive mail — and revenue — out of the system. No company can grow or maintain its business by weakening service to customers.

While the Postal Service is facing a new world as a result of online communication, the Internet offers as many opportunities as challenges. **USPS can thrive in a digital age by innovating and adapting** to provide new services, as it has done repeatedly over its 230-year history. **The boom in its parcel volume due to e-commerce in recent years is proof of this.**

The Postal Service is an essential component of America's public infrastructure, worth protecting. In a time of rapid economic, societal and technological change, we need to strengthen our communications and delivery network — not weaken it.

Visit deliveringforamerica.com to learn more.