

POSTAL INVESTMENT ACT OF 2011

TITLE I - Investment of Postal Prefund

- **Elimination of Prefunding Payment Fee** - This provision would eliminate the well intentioned, but unaffordable fee levied on the Postal Service to insure against liability for future retiree health benefit payments, should the Postal Service ever go out of business. No other Federal agency is required to simultaneously fund current and future retiree health benefit costs, and few private sector companies prefund these future benefits -- those that do rarely fund near 100% of the liability. Importantly, these fees are paid to the Federal government by postal ratepayers, not employees or taxpayers. This provision would save the Postal Service approximately \$5 billion per year.
- **Investment of Retiree Health Benefit Prefunding Account** - The existing retiree health benefit prefund has accumulated more than \$40 billion since its creation after the Postal Accountability and Enhancement Act. The fund is currently invested in government securities, earning a rate of return of around 4% annually. This provision would convert the prefunding account into the Postal Fund, which could be invested in non-government securities. The fund would be overseen by a Board under the direction of the Secretary of the Treasury which would invest funds in a mix of market index funds, including government securities. Based on the performance of other invested funds, such as the Pension Benefit Guaranty Corporation and the Railroad Retirement Trust, the Postal Retiree Health Benefits Fund could have the potential to earn more than double the current rate of return. At current funding levels, each percent increase in return is equal to around \$400 million annually.
- **Purpose of the Fund** - To continue the goal of insuring against future retiree health benefit liability, this fund could be used to pay out a substantial portion of any liability should the Postal Service fail to meet its future obligations. However, the target for the fund would be 80% of the future retiree health liability. Funds over that threshold could be used by the Postal Service for needed investments in its future, such as its vehicle fleet.
- **Fund Financing** - The legislation requires annual computations of an amortization payment in current law. After the Postal Service has paid off its Treasury debt, it would pay into the fund based up to its profit, up to the amortization calculation. This mechanism incentivizes the Postal Service to both return to profitability and build the fund as soon as possible. In addition, as the fund builds value over 100% of the retirement health benefit liability, any excess would be returned to the Postal Service Fund.

TITLE II - Product Innovation

- **201. Mail Performance Incentives** - The section updates the market-dominant service standards to encourage innovative pricing for products based on higher levels of service performance and customer satisfaction. These were both recommendations of the PRC in its Sec. 701 Report.
- **202. New Mail Classes** - This section would clarify that the Postal Service, through the Postal Regulatory Commission, can create new *classes* of mail. For example, the Postal Service may find a market for a class of mail that is as fast as First-class, but only with the associated protections and benefits of Standard Mail.

- **203. Experimental Products** - This section would allow the Postal Service to expand its trial of experimental products by removing the annual dollar limit, but ensuring that the PRC has strict oversight and the ability to end any products which are not in the interests of the Postal Service.
- **204. Chief Product Innovation Officer** - This section requires the Postmaster General to designate a Chief Product Innovation Officer to lead development of new products or improvement of existing products. USPS would also submit an annual report describing changes to products or new products, including experimental and nonpostal products.
- **205. Uncollected Postage** - This section encourages improved collection of postage due through better compliance and investigations of fraud by the Postal Service, Inspector General, and Inspection Service.

TITLE III - Workforce

- **301. FERS Refund** - This section requires a calculation of the FERS overpayment (currently estimated to be over \$10 billion) and directs this overpayment to be transferred to the Postal Service to be used for buyouts (up to the existing cap for federal workers of \$25,000 for any one individual). If there are additional funds remaining, these may be used by the Postal Service for other items such as repaying debt.
- **302. Medicare Coordination Efforts** - This section would require the Postal Service, in consultation with the Office of Personnel Management and the Centers for Medicare and Medicaid Services, to increase educational outreach to Medicare eligible retirees to see how Medicare may be able to add value to their existing FEHB benefits.
- **303. Labor Disputes** - This section clarifies that nothing in title 39 should be taken to limit what factors an arbitration board can take into account when rendering a decision on a collective bargaining agreement during a dispute with management.
- **304. Consultation Rights** - This section clarifies provisions meant to give managerial and supervisor groups (Postmasters and Supervisors) the right to consult with the Postal Service on any changes to, including reductions of, benefits.
- **305. Reduction In Force Protections** - This section reaffirms that in lieu of any procedures for reducing the workforce negotiated in a collective bargaining agreement, postal employees have the same protections afforded to other federal workers in any reduction in force.
- **306. Executive Compensation** - This section limits executive compensation for the top twelve executives at the Postal Service based on OPM's Executive Level Schedule rather the blanket maximum now tied to the Vice President's salary. No other employee could be paid more than the Executive Level I salary.
 - Postmaster General: 135% of Executive Level I
 - Deputy Postmaster General: 135% of Executive Level II
 - All other executives: 135% of Executive Level III