

# **Draft Postal Service Reform Act of 2016**

## **Summary**

### **TITLE I – POSTAL SERVICE BENEFITS REFORM**

#### **Postal Service Health Benefits Program**

- Establishes separately rated postal plans within the Federal Employees Health Benefits Program (FEHBP) beginning in January 2018.
- FEHBP carriers currently insuring at least 1,500 postal employees and retirees, as well as any other carriers may offer postal plans.
- Almost all postal employees and retirees who elect coverage through FEHBP must enroll in one of the postal FEHBP plans.
- Medicare eligible Postal Service retirees and family members are automatically enrolled in Medicare Part A and B.
- The Postal Service will cover a decreasing portion of the Medicare Part B premium for current retirees transitioned into Medicare as a result of the legislation over a 4-year transition period: 75% in the first year; 50% in the second year; 25% in the third year; and 0% in the fourth year.

#### **Postal Service Retiree Health Care Benefit Funding Reform**

- Requires the Postal Service to make actuarially-based Retiree Health Benefit (RHB) prefunding payments to cover 100% of the cost of the Postal Service's RHB liability within 40 years.
- Addresses the prefunding schedule established in the Postal Accountability and Enhancement Act of 2006.

#### **Postal Service Pension Funding Reform**

- Calculates the Postal Service's pension costs and liabilities using the salary growth and demographic assumptions that are specific to the Postal Service population instead of the government-wide population, as in current law.
- Any surplus within the Postal Service's Civil Service Retirement System or Federal Employees Retirement System accounts must be amortized over 30 years and returned to the Postal Service.

### **TITLE II – POSTAL SERVICE OPERATIONS REFORM**

#### **Governance Reform**

- Establishes a Presidentially-appointed, Senate confirmed 5-member Board of Governors with 7-year terms. (Current Board is 9 members.)
- The Board serves as a consultant to the Postmaster General (PMG) and sets the compensation for the PMG and Deputy PMG.

- The PMG and the Deputy PMG must be appointed by the President and confirmed by the Senate to 4-year terms.
- Requires the Postal Regulatory Commission (PRC) to pay the Department of State's costs of negotiating international postal rates.
- Clarifies the PRC's existing authority to levy fines against the Postal Service, payable to the U.S. Treasury for deliberate noncompliance with the provisions of title 39.

### **Conversion to Secure, Centralized Delivery**

- Requires the incremental conversion to centralized delivery of business addresses identified by the Postal Service.
- Requires the voluntary conversion to centralized or cluster box delivery of residential addresses identified by the Postal Service where 40% of the residents consent to conversion.
- Maintains door delivery of mail for residents who do not consent to voluntary conversion; however, any future or new residents of an area that has been converted will receive the converted delivery type.
- A conversion waiver is allowed in cases of physical hardship.

### **Postal Rates**

- Allows the Postal Service to increase postal rates for market-dominant products by 2.15%, or 1 cent for a First-Class stamp.
- Requires the PRC to complete its full review of the market-dominant rate system by January 1, 2018.
- Establishes priority factors for consideration in the PRC's rate review, including the Postal Service's financial stability, the effect of rate increases upon users of the mail, the reliability of delivery timelines and service standards, the available alternative means of communicating and sharing information, and the requirement that all costs incurred are appropriately covered by the revenue from the product for which they were incurred.
- Eliminates state and national political committees' eligibility for non-profit mail rates.
- Directs the Postal Service to raise rates on loss-making monopoly products, subject to certain overall rate increase limitations.

### **Nonpostal Services**

- Authorizes the Postal Service to provide nonpostal services to state, local, and tribal governments and other federal agencies.
- Requires public notice and comment and approval by Board of Governors before the Postal Service offers such service.
- Requires the Postal Service to submit an annual report to the PRC analyzing the costs, revenues, rates, and quality of service for each nonpostal service agreement.
- Requires the PRC to allow for public comment on the Postal Service's report.
- The PRC must then make a compliance determination and noncompliance constitutes failure of the price charged for the service to fully cover the Postal Service's costs.

- In case of noncompliance, the PRC shall prescribe remedial action to the Postal Service. The PRC may order the Postal Service to discontinue a nonpostal service if the Postal Service persistently fails to meet cost coverage requirements.

### **Fair Stamp-Evidencing Competition**

- Requires the Postal Service to abide by the same regulations it requires of private companies when offering metered postage systems that create individual postage labels for letters or packages.

### **Efficient and Flexible Universal Postal Service**

- Requires the Postal Service to consider additional factors when evaluating whether or not to close a post office: distance to next post office, characteristics of the location, including weather and terrain, and the availability of broadband.
- Shortens the deadline for the PRC to review the Postal Service's decision to close or consolidate a post office from 120 to 60 days.
- Allows communities the opportunity to provide input on their preference as to the closing or consolidation or alternative options for access to postal services.
- Allows for appeals regarding the closing or consolidation of post office stations and post office branches.

### **Review of Postal Service Cost Allocation Guidelines**

- Requires the PRC to conduct a one-time review of the Postal Service's cost allocation methodologies.

## **TITLE III – POSTAL SERVICE PERSONNEL**

### **Chief Innovation Officer**

- Requires the Postal Service to establish and appoint a Chief Innovation Officer to manage the Postal Service's development and implementation of innovative postal and nonpostal products and services.

### **Inspector General of the Postal Community**

- Consolidates the Postal Service and the PRC Offices of Inspector General into a newly established Inspector General for the Postal Community.

### **MSPB Appeal Rights**

- Provides non-bargaining, non-supervisory employees access to the Merit Systems Protection Board.

## TITLE IV – POSTAL CONTRACTING REFORM

### Contracting Reforms

- Requires the Postal Service and PRC to issue a policy on the delegation of contracting authority, post noncompetitive contract awards meeting certain dollar value thresholds, and improve oversight and response to potential conflicts of interest regarding contracting.