

Background Information

This section includes background information arranged by topic. These are for your use as you prepare for in-person and telephone meetings and discussions with employees, customers, and community members regarding the state of the business and the innovative changes we are making. The Background Information section includes some general points that are for use with all audiences as well as points that are of interest to specific audiences.

U.S. Postal Service Reports Fiscal Year 2016 Third Quarter Results

- ☞ *Net loss for quarter of \$1.6 billion*
- ☞ *Continued double-digit growth in revenue and volume in the Shipping and Packages business*
- ☞ *Enactment of postal reform legislation remains urgently needed*

Excluding a change in accounting estimate recorded during the quarter, the U.S. Postal Service reported operating revenue of \$16.6 billion for the third quarter of fiscal year 2016 (April 1, 2016 – June 30, 2016), an increase of \$117 million, or 0.7 percent, over the same period last year. Nevertheless, the Postal Service suffered both a controllable loss and a net loss for the quarter. In addition, the Postal Service's revenues were approximately \$450 million less than they otherwise would have been during the quarter because of the expiration of the exigent surcharge on April 10, 2016.

The Shipping and Packages business continued its strong performance with revenue growth of \$645 million, or 18 percent. This was offset by a decline in First-Class Mail revenue of \$379 million, or 5.5 percent, due largely to the expiration of the exigent surcharge. The expiration of the surcharge will reduce revenue by an additional amount of approximately \$500 million for the fourth quarter and by almost \$2 billion annually.

The controllable loss for the quarter was \$552 million compared to a controllable loss of \$197 million for the same period last year. Calculation of controllable loss takes into account the impact of operational expenses including compensation and benefits; but does not reflect factors such as the legally-mandated expense to prefund retiree health benefits or the change in accounting estimate noted above.

The net loss for the quarter was \$1.6 billion, an increase of \$981 million compared to the same period last year. The increase was most significantly impacted by a \$1.6 billion unfavorable change in workers' compensation expense as a result of interest rate changes, offset by the \$1.1 billion change in accounting estimate.

Operating expenses increased in the third quarter compared to the same period last year. In addition to the increase in workers' compensation expense, labor costs increased by \$387 million, largely due to the increase in Shipping and Packages volume, and transportation costs increased by \$97 million.

Legislative Reform

We are seeking the enactment of legislative provisions necessary to return the Postal Service to financial health. We have been working over the last year with key stakeholders, including our labor unions and a cross-section of the mailing industry to identify potential key reforms about which there is broad consensus that would make the Postal Service sustainable. These include requiring Medicare integration for postal retiree health plans; continuing our exigent price increase for Market Dominant products; calculating all retirement benefit liabilities using postal-specific salary growth and demographic assumptions; and providing some additional product flexibility. By enacting legislation that includes these provisions, the Postal Service can achieve an estimated \$32 billion in combined cost reductions and new revenue over the next five years.

In July 2016, the House Government Reform and Oversight Committee unanimously passed the Postal Service Reform Act out of committee. Postmaster General and CEO Megan J. Brennan addressed this with the following statement:

“The United States Postal Service thanks House Oversight and Government Reform Chairman Jason Chaffetz, Ranking Member Elijah E. Cummings, Rep. Mark Meadows, Rep. Gerald E. Connolly, Rep. Stephen F. Lynch and the other members of the Committee for their leadership in introducing postal reform legislation and for unanimously passing of the Postal Service Reform Act of 2016, H.R. 5714, out of Committee today. This vote sends a strong signal that the bipartisan leadership of the Committee intends to bring postal reform legislation to the floor of the House for a vote this year. While the bill does not include all of the elements that the Postal Service requested, it is the product of reasonable compromise and represents a significant step toward returning the Postal Service to a position of financial stability that all stakeholders agree is necessary. We look forward to continuing to work with the House and Senate and our stakeholders to get a postal reform bill passed this Congress.”

Election and Political Mail

The Postal Service is preparing for the general election in November 2016. In addition to the presidential campaign, there will be high-visibility congressional, gubernatorial and other state and local races.

With elections come Election Mail and Political Mail and proper handling is critical.

Concerns have been raised regarding how the change in delivery standards could require additional time for Election Mail, Political Mail and ballots to reach voters. The Postal Service takes these concerns very seriously and plans are in place from coast to coast to ensure the timely receipt, processing and delivery of Election and Political Mail. The Postal Service encourages voters to mail early and recently published recommendations to ensure ballots are received on time. Recommendations include:

- ☞ Make sure to use proper postage and that the stamp appears in the upper right hand corner on the front of the envelope.
- ☞ Place completed ballots inside the envelope correctly. Most return envelopes for ballots have a clear window on the front so the mailing address can be clearly seen.
- ☞ Check with local election offices for rules on requesting and completing absentee ballots.
- ☞ Visit your state's website to find out where election offices are located in the state and to get information governing voting by mail.

We also recently published recommended mailing dates for military and diplomatic voters from APO/FPO locations. A complete list of countries and mailing dates can be found at <https://www.usps.com/election-mail/2016-americans-overseas-ballot-mailing-deadlines.pdf>.

The March 17 *Postal Bulletin* features Election Mail and Political Campaign Mail materials, including the communication plan. Go to [Election Mail and Political Campaign Mail](#) for more information.

Rural Service

The Postal Service continues to focus on delivering for our nation, including for those living in rural areas. Service in some parts of rural America experienced declines, as did the service performance of some urban and metropolitan areas, while we implemented significant changes to our operating window model. Since that time, we have employed numerous tactics and efforts to stabilize our network and to improve service for all areas of the country. We are realizing improvements in performance because of these efforts, which have included the following:

- ⌘ Working with our customers and customer council organizations as they identify service issues.
- ⌘ Implementing solutions based on thorough analysis of key performance data.
- ⌘ Adjusting transportation schedules and adding additional trucks from processing plants to community Post Offices.
- ⌘ Adding air capacity and long-haul truck transportation between processing plants, where needed.
- ⌘ Developing solutions based on data and information learned from the internal post implementation review (PIR) process and the external Office of Inspector General (OIG) audit process.
- ⌘ Implemented Lean Mail Processing work methods and best practices in all mail processing facilities including those that service rural areas.
- ⌘ Developing specific performance measurement metrics to monitor rural mail service.
- ⌘ Deployed technology to increase processing capability. For example, we deployed Small Parcel Sorting Systems (SPSS), Automated Parcel Bundle Sorter (APBS) and Automated Flat Sorting machines (AFSM).
- ⌘ Additionally we installed APBS and AFSM at the Bismarck, ND, processing facility to increase package and flat processing capability. In addition, an AFSM was installed in Great Falls, MT, and Missoula, MT.
- ⌘ Also in this past year, we established 187 service hubs in mostly rural America for direct entry of specified mailings, thereby bypassing additional handlings and transportation associated with entry at processing plants.

Contract Negotiations

The status of labor contracts with the four major Postal Service unions is listed below.

American Postal Workers Union (APWU)

The APWU represents approximately 200,000 employees in the clerk, motor vehicle and maintenance crafts.

On July 8, we received the interest arbitration award from arbitrator Stephen Goldberg. The interest arbitration award sets the terms of the contract between the Postal Service and the American Postal Workers Union, AFL-CIO (APWU). The award was the result of a legally mandated binding arbitration process that is required when the parties reach impasse over the terms of the new contract.

Topline terms include:

- ☞ The 40-month contract expires Sept. 20, 2018.
- ☞ Annual general wage increases of 1.2 percent, 1.3 percent and 1.3 percent, paid in November, with a cost-of-living adjustment (COLA) base of July 2014.
- ☞ Reductions in the employer share of health benefit premiums of one percent per year.
- ☞ The two-tier career wage structure remains in place.
- ☞ The current Clerk Craft Postal Support Employee (PSE) flexibility remains in place.
- ☞ Eliminated PSEs in Motor Vehicle and Maintenance Crafts.
- ☞ Provided PSEs additional increase of 1 percent per year, and an additional \$0.50 per hour.
- ☞ Awarded PSEs six holidays.
- ☞ Imposed temporary restrictions on plant consolidations to April 2017, alternative retail access, one year and HCR contracting.

National Association of Letter Carriers (NALC)

The NALC represents approximately 210,000 city letter carriers nationwide.

The National Agreement between the Postal Service and the NALC expired May 20, 2016.

- ☞ The parties agreed to extend negotiations beyond May 20.
- ☞ During the extended period of negotiations, the terms and conditions of the 2011-2016 contract remain in effect.
- ☞ Our goal is to negotiate a contract that is fair to our customers, fair to our employees and meets our financial and operational needs.

National Rural Letter Carriers Association (NRLCA)

The NRLCA represents more than 119,000 rural letter carriers nationwide.

On April 12, 2016, the Postal Service and the NRLCA reached a three-year agreement that will expire May 20, 2018.

Topline terms include:

- ⌚ Annual general wage increases of 1.2 percent, 1.3 percent and 1.3 percent, totaling 3.8 percent with a COLA base of July 2014.
- ⌚ Added flexibility through the creation of a new category of non-career employee — Assistant Rural Carrier (ARC) — for weekend and holiday parcel delivery.
- ⌚ Reduction in the employer share of health insurance premiums by one percent per year from 76 percent to 73 percent by 2019.
- ⌚ Preservation of the significant workforce structure modifications achieved in the 2010 round of collective bargaining.

National Postal Mail Handlers Union (NPMHU)

The NPMHU represents approximately 44,000 employees nationwide.

The National Agreement between the Postal Service and the NPMHU expired on May 20, 2016.

- ⌚ The parties agreed to extend negotiations beyond May 20.
- ⌚ During the extended period of negotiations, the terms and conditions of the 2011-2016 contract remain in effect.
- ⌚ Our goal is to negotiate a contract that is fair to our customers, fair to our employees and meets our financial and operational needs.

Next Generation Vehicles

The Postal Service is currently in the process of replacing our aging LLV/right-hand drive delivery fleet with Next Generation Delivery Vehicles. The goal of this acquisition is to develop a future class of delivery vehicles that will incorporate new technologies to better accommodate a diverse mail mix, enhance safety, improve service, reduce emissions and produce operational savings.

The procurement of a Next Generation Delivery Vehicle is a multi-year process of which we are in the early phases. The Postal Service has consulted with many stakeholders including members of Congress, federal agencies, the automotive industry, postal unions and employees to develop a best-in-class request for a proposal for vehicle prototypes.

Click here for more information on the Postal Service's Next Generation vehicles:

<http://about.usps.com/news/statements/091616.htm>.

Informed Delivery

The Postal Service is moving aggressively to introduce Informed Delivery to customers as an optional service that sends an email notification to participating customers containing black and white images of the outside of letter-sized mailpieces that are processed by Postal Service automation equipment before delivery.

Consumers will have access to an online Informed Delivery dashboard, which displays each day's mailpiece images as well as images from the previous six days. Consumers who are enrolled in both My USPS and Informed Delivery will be able to easily view mail and package information by switching tabs within the dashboard.

In March 2014, a pilot test for Informed Delivery began in select ZIP Codes in Northern Virginia. The test expanded to select ZIP Codes in New York City and Connecticut. Roughly 80,000 customers participated in the pilot test.

In May 2016, Postmaster General Megan Brennan announced that Informed Delivery would be rolled out nationwide by the end of 2017.

In late August 2016, the pilot test expanded to a beta test and added customers from Baltimore; Washington, DC; and Richmond.

Initial Postal Service survey results show that 9 out of 10 participants check these notifications daily — indicating this offering is already providing significant value to residential customers in pilot markets.

This offering comes with no additional cost and is voluntary. Upon registration at usps.com, eligible residential customers will be given the opportunity to opt in to receive daily email notifications.

- ☞ Informed Delivery is a new service from Postal Service that allows participating customers to see what letter mail is being delivered wherever, whenever — even as they travel — on a computer or on their mobile devices.
- ☞ The Postal Service is leveraging digital technology to enhance physical mail and provides customers with a new, unique way to access and interact with mail.
- ☞ Informed Delivery gives customers a reason to go to their mailboxes every day.
- ☞ Informed Delivery adds value to physical mail; it doesn't replace it.
- ☞ By innovating today, the Postal Service is shaping the delivery of tomorrow.
- ☞ Informed Delivery is currently available in select ZIP Codes from Baltimore to Washington, DC to Richmond, New York City and Connecticut.

Informed Visibility

Informed Visibility is an online system that will offer near real-time information and insights into the mail.

This enterprise system will be a near real-time single source of information for all mail and packages. It will leverage data to provide business intelligence for USPS functional groups and the mailing industry. Key components of the system are internal service performance measurement, mail inventory and predictive workloads to aid Postal Service operations and mail tracking and reporting for business customers.

Informed Visibility will provide access to reports, performance metrics and personalized dashboards. The goal is to help employees manage mail operations by optimizing the utilization of machines and resources and adjusting workloads to meet service standards.

Additionally, Informed Visibility not only provides a convenient single-source of information for business customers, it provides near real-time expanded visibility as mail moves through the mailstream; thus, increasing the value of mail and enabling better planning of mailing campaigns and resources.

The system, which is being deployed in multiple phases, is part of a broader effort to strengthen the Postal Service's use of technology. The first releases of Mail Tracking as well as Predictability Workload are planned in FY16 Quarter 4.

Network Rationalization

Currently, the next phases of consolidations remain deferred. Our customers and the mailing industry will be given ample notice before they resume.

2016 Spring/Summer Integrated Marketing Campaign

The final phase of the Spring/Summer campaign continues to showcase USPS and how we deliver for American businesses and demonstrates our role as the backbone of e-commerce. The campaign continues to leverage the fact that USPS makes more e-commerce deliveries to homes than anyone else in the country and is an indispensable solution to e-commerce companies delivering their products reliably, rain or shine, anywhere in the country.

Continuously and Reliably Delivering America's e-commerce Packages

- ☞ We continue to amplify our e-commerce leadership position and demonstrate our commitment to being a reliable shipping provider to America's businesses.
- ☞ The integrated campaign launched in March with TV, print, out-of-home, digital (landing page, banners and videos such as testimonials), PR, social media, media integrations and direct mail activations that illustrate the scope of deliveries we make every day across the country. The campaign's refreshed television ad began airing on June 27.
- ☞ The refreshed television ad reinforces our campaign's reliability message by showcasing the impact that consumer e-commerce activity has on our business customer's fulfillment operations, and highlights the Postal Service's role in delivering for their brands.
- ☞ Extending through September, our direct mail, social, digital and public relations activations will continue to amplify the voices of additional brands that rely on USPS to grow their business, and elevate the best practices in e-commerce delivery.

[Side bar: "We represent your brand when we make your deliveries, and your business depends on having strong relationships to create great delivery experiences for your customers. That's why we continue to do everything we can to deliver your packages in shape and on time to customers across the country. We don't just carry your products, we carry your business."]

Your Trusted Shipping Provider

More businesses are relying on USPS to deliver their packages and provide delivery solutions than ever before. Their business becomes our business — and we do everything we can do to get it there in shape and on time.

The Growth of e-commerce

According to the Department of Commerce, e-commerce sales in the U.S. in 2015 are estimated at \$341.7 billion, an increase of 14.6 percent from 2014. As America's delivery needs continue to grow, we are deepening our commitment to meeting the needs of businesses, showcasing our e-commerce leadership position and amplifying the voices of the brands we support.

Stamps and the Citizens' Stamp Advisory Committee

For nearly 170 years, the U.S. Postal Service's stamp program has celebrated the people, events and cultural milestones that are unique to the history of our great nation. Stamps are miniature works of art that honor iconic figures, honor our heroes, celebrate our achievements, highlight natural wonders and reflect our national identity. The first U.S. postage stamps were issued in 1847.

Annually, the Postal Service receives more than 40,000 suggestions from the public on subjects for potential stamps. The creation of a stamp, from concept to production, involves a variety of talents and processes.

Ideas for stamps are submitted to the Citizens' Stamp Advisory Committee (CSAC). Since 1957, CSAC has evaluated all stamp proposals. CSAC members, appointed by the Postmaster General, provide expertise on history, science and technology, art, education, sports and other subjects of public interest.

The committee's primary goal is to select a good balance of subjects appealing to a broad audience for recommendation to the Postmaster General, who makes the final decision. These subjects will represent the best of America.

The 2016 stamp program is well underway, including the recent issuance of stamps celebrating Sarah Vaughan, National Park Service, Views of Our Planets, Pluto, the Richard Allen Black Heritage stamp; and stamps saluting the World Stamp Expo in New York, Soda Fountain Favorites, Richard Allen, Jaime Escalante and Pickup Trucks.

Recently, there has been heightened awareness and interest in the stamp program with the media speculation of potential subjects in 2017, 2018 and beyond. However, no final decisions have been made as the CSAC continues its review process.

Postal Service Sustainability Initiatives

The U.S. Postal Service is committed to managing resources wisely to minimize environmental impact. Across the organization, from supply management and facilities to network operations and delivery, the Postal Service is integrating sound environmental business practices into day-to-day operations and into our organizational culture. Leading by example, the Postal Service is meeting the needs of the present without compromising the future. With the knowledge gained from our own efforts, we also are committed to assisting our customers in achieving their sustainability objectives.

- ☞ As a result of organizational efforts, the Postal Service has reduced greenhouse gas emissions by 12.4 percent between 2008 and 2015, and reduced facility energy use by 29.5 percent from a 2003 baseline.
- ☞ More than 1,300 Postal Service employee Green Teams are helping build a conservation culture by finding low- or no-cost ways to improve resource use and minimize impacts on the environment.
- ☞ The Postal Service operates one of the world's largest alternative fuel-capable fleets which has more than 46,000 alternative fuel vehicles, primarily E-85 Flex Fuel vehicles. The USPS also researches electric, compressed natural gas, bio-diesel and hydrogen fuel cell technology.
- ☞ The Postal Service has received several environmental awards for sustainability achievements, including the GreenGov Presidential award and an EPA WasteWise recognition award.

National Recycling Operation

The Postal Service is about halfway into the five-year integration of the National Recycling Operation to standardize a process for consolidating, transporting and sale of mixed paper from all postal facilities. Recycling can no longer be considered an optional part of postal business operations. In many places, it's now required by law. This initiative is not just “the right thing to do” — it is also a viable response to present financial challenges as it reduces solid waste disposal costs and increases recycling revenue.

USPS BlueEarth Federal Recycling Program

The U.S. Postal Service's Federal Recycling Program provides government agencies and its own employees with the ability to securely and efficiently recycle unwanted electronic devices and empty toner and ink cartridges on a national level.

USPS BlueEarth Secure Destruction

Secure Destruction is a new mail service offering available from the Postal Service that integrates digital technology with physical mail. The no-additional-fee service provides mailers with an option to have undeliverable as addressed (UAA), return-to-sender First-Class Letter Mail automatically intercepted and securely destroyed.

Environmental Compliance

The Postal Service uses a management systems approach to ensure compliance with federal, state and local environmental laws and regulations. The Environmental Tool Kit (ETK) provides easy access to site-level environmental data and records and serves as a corporate resource for sound decision-making. Standardized compliance programs, including environmental compliance review (ECR), storage tank and water quality programs, along with a talented team of field environmental staff, execute national compliance strategies. Beyond assessing compliance, these programs provide “hands on” training and assistance to sites. Additionally, environmental guidance and training are readily available online through the environmental website and Learning Management System (LMS).

Annual Sustainability Report

The Annual Sustainability Report was issued on Earth Day 2016. This document highlights our commitment to create a culture of conservation throughout the Postal Service. This year we prepared the report in accordance with the Global Reporting Initiatives (GRI) G4 guidelines. These guidelines focus on economic, social and environmental aspects of our operations that further our efforts toward transparency.

Postal Banking

The Postal Service's mission is to provide the American public with trusted, affordable, universal mail service. Our core function is delivery, not banking. Our resources are limited, and we are focused on investing in innovations within that core function, in order to grow volume and revenue where possible, and provide additional contribution towards covering the costs of our universal retail, processing and delivery network.

The Postal Service provides certain financial services appropriate to our existing infrastructure, including money orders, electronic funds transfers and U.S. Treasury check cashing to meet customer needs. To the extent our research concludes that we can legally provide additional services at a profit and without distracting from our core business, we would consider these. However, public policy and regulatory discussions that consider the important concerns addressed in this document must be addressed before the Postal Service invests in an area outside our core function.

RIBBS

RIBBS (Rapid Information Bulletin Board System), the Postal Service's online site for technical mailing information to support our commercial customers, is undergoing enhancements. PostalPro (beta.postalpro.usps.com) was launched in beta form at the National Postal Forum (NPF) in March. Based on feedback from Mailers Technical Advisory Council (MTAC) workgroup 176 and the mailing industry as a whole, special attention was paid to search functionality and creating an overall intuitive user experience. The Postal Service is encouraging current RIBBS users to begin using PostalPro and to utilize the feedback mechanisms on the site. RIBBS and PostalPro will run in parallel until the end of September when PostalPro will be fully functional. The Postal Service will continue to work closely with the mailing industry to make enhancements to the beta site.

First-Class Mail Parcels and 2017 Promotions PRC Filing

The May 2016 filing with the Postal Regulatory Commission is limited to establishing the Postal Service's 2017 promotional program and adjusting certain prices in the First-Class Mail Parcels product. The revised First-Class Mail Parcels prices will take effect Aug. 28, 2016. The first of the 2017 promotions will begin Jan. 1, 2017.

Mailing Promotions

Integrating Direct Mail with Mobile Technology

USPS offers direct mail advertising promotions and incentives to help marketers continuously invest in the future of their business and promote best practices for integrating direct mail with mobile technology highlighting new products and other innovative mailing techniques. With the exception of the Earned Value Promotion, mailpieces must be approved by the respective Program Office to qualify for the discounts to ensure that they demonstrate the use of new technology.

The showcase *Irresistible Mail* book demonstrates the tactile power of mail to engage prospects and customers with a sensory delight. The book also shows how marketers can make their postage dollars work harder by using digitally enhanced mailpieces to lead recipients to their digital properties. Every technology in the *Irresistible Mail* book displays a technology that qualifies for a Mailing Promotion. The *Irresistible Mail* book and the Mailing Promotions have opened new markets and introduced new generations of marketers to the power of incorporating mail in their omnichannel campaigns.

Current Promotions

Tactile, Sensory and Interactive Engagement Promotion (Standard Mail)

Leveraging the physical and sensory aspects of mail, as well as the advances in print technology, marketers and mailers can enhance how customers interact and engage with mail. During this promotion, eligible mailers who incorporate a unique multi-sensory experience in their mailpiece may receive a postage discount. These mobile enabled mail technologies provide marketers with a critical link to their digital marketing sites by engaging consumers using the mail.

Emerging and Advanced Technology/Video in Print Promotion (Standard and First-Class Mail)

The Emerging and Advanced Technology/Video in Print Promotion encourages mailers to integrate direct mail with technology, providing an interactive experience for customers. Mailers who create mailpieces that use at least one form of approved emerging or advanced technologies (such as augmented reality (AR), AR video, iBeacon, Video in Print (ViP) or near field communications (NFC)) will receive a postage discount. These mobile enabled mail technologies provide marketers with a critical link to their digital marketing sites by engaging consumers using the mail.

Personalized Color Transpromo Promotion (First-Class Mail)

The Personalized Color Transpromo Promotion encourages customers who mail statements to gain additional value from their mailings. Research shows that recipients spend 1-2 minutes reviewing billings and statements compared to 15 seconds to review traditional direct mail advertising. This promotion encourages customers to invest in color print technology to create statement mail generating a greater connection and response from consumers and helps the USPS grow First-Class Mail. The promotion provides an upfront postage discount to mailers who use personalized dynamic/variable color print for transpromotional marketing and consumer messages on their bills and statements.

Mobile Shopping Promotion (Standard Mail)

The Mobile Shopping promotion provides marketers with the opportunity to earn an upfront postage discount by integrating mobile technology with direct mail. *eMarketer* predicts that smartphone mobile commerce purchases will grow by more than 74 percent in 2016. Using technology platforms such as Quick Response (QR) Codes, Snap Tags, Watermarks and other advanced technologies enables consumers to go from the mailpiece directly to an online shopping experience. This year adds social media opportunities through “Buy Now” features highlighted to support shopping during social media activities. This promotion encourages marketers to adopt technologies that create consumer excitement and highlight the connection between the mailpiece and the digital shopping experience.

Earned Value Promotion (First-Class Mail)

The Earned Value Promotion (ended June 30) is intended to encourage mailers to use Business Reply Mail (BRM) and Courtesy Reply Mail (CRM) as a response device for their outgoing marketing pieces. The Promotion provides credit of \$0.02 per BRM or CRM pieces (for first-time participants or those who didn't meet or exceed their 2015 Earned Value Promotion threshold) and \$0.03 credit per BRM or CRM pieces (if number of pieces meet or exceed total number counted during the 2015 Earned Value Promotion). Customers who register their Mailer ID (MID) information and use eligible Intelligent Mail barcodes (IMbs) on their reply pieces will receive a postage credit for each mailpiece that is returned to the mailer during the promotion period. Credits must be used by Dec. 31, 2016, and are available for use once they have been released to the respective permit(s).

More information can be found at: www.usps.com/business/promotions-incentives.htm. Customers can also contact the program office by email: mailingpromotions@usps.gov.

Get a preview of the 2017 Mailing Promotions at our RIBBS website:
ribbs.usps.gov/mailingpromotions/documents/tech_guides/2017ProposedPromotionsCalendar.pdf.

PRC Ten Year Review Info

When the Postal Accountability and Enhancement Act (PAEA) was signed into law in December of 2006, it created a system for regulating rates and classes for Market Dominant products that imposed a price cap for a 10 year period that was tied to the Consumer Price Index for All Urban Consumers. The PAEA also requires the Postal Regulatory Commission (PRC) to review this system after 10 years to determine if it is achieving the objectives established by Congress, and if it is not to modify or replace the system so that it does.

The required review of the rate-making system is scheduled to begin after December 20, 2016. The Postal Service does not believe that the current system is achieving the objectives established by Congress, most particularly because the system does not enable us to maintain our financial stability, establish a just and reasonable rate schedule, or assure our ability to maintain high quality service standards in the future. Our lack of financial stability is evidenced by the fact that we have been unable to make over \$28 billion in legally required payments to our Retiree Health Benefit Fund. Therefore, we will ask the PRC to modify or replace the system so that it assures that we can generate enough revenue to pay all of our bills and fulfill our other obligations.

Medicare Integration Information

When entities, both public and private, integrate their retiree healthcare plans with Medicare, Medicare becomes the primary payor for insurance claims and the employer's plan is the secondary payor.

Currently the USPS does not require its retirees to enroll in Medicare when eligible at age 65.

By requiring Postal Service retirees to enroll in Medicare when eligible, the Postal Service would save approximately \$3.9 billion in the first year and 33.9 billion over 10 years.

Integrating Retiree Healthcare with Medicare is a universal practice among nearly all private sector and state and local government employers, who provide health benefits to retirees.

To Summarize: Integrating our Healthcare plans with Medicare and staying in the Federal Employees Health Benefit System (FEHB) will save the Postal Service \$3.9B in the first year the proposed legislation is enacted and \$33.9B over 10 years. It will also eliminate 96% of unfunded Retiree Health Benefit liability. The total net cost to Medicare is less than 1 day's Medicare claims or 0.14% their of total annual claims. Medicare Integration also helps the Postal Service take a significant step toward financial stability while providing savings for employees and retirees.