March 14, 2022

Hon. Erica A. Barker, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Barker:

As you know, Congress recently passed the Postal Service Reform Act of 2022 (PSRA), and the President is expected to sign it shortly. When enacted, the new legislation will, among other things, cancel the Postal Service’s obligation to prefund the Retiree Health Benefits Fund (RHBF). Given the guidance in Order No. 5763, we assume the Postal Regulatory Commission would then look to recalculate the amount of retirement-based rate authority for 2022 based on this change to the law. I am therefore writing to update our notice of December 30, 2021, in which we submitted our calculations for density rate authority and retirement-based rate authority for 2022, in accordance with 39 C.F.R. §§ 3030.160(b) and 3030.181(b).

With respect to retirement-based rate authority specifically, we calculated that the Postal Service is entitled to 1.071% of authority. This amount comprised compensation for our amortization obligations to the RHBF, the Civil Service Retirement System (CSRS), and the Federal Employee Retirement System (FERS). As indicated in the attached Excel spreadsheet, we calculate that canceling the RHBF obligation reduces the retirement-based rate authority for 2022 from 1.071% to 0.785%. The newly calculated figure can be found in cell F15 of the “Retirement Rate Authority” worksheet in the attached Excel file.

Under 39 C.F.R. § 3030.183, retirement-based rate authority is calculated, in part, by dividing the total amortization payments due from the Postal Service during the most recently completed fiscal year by its total revenue during the same period. The Act would reduce the Postal Service’s statutorily mandated amortization payments from approximately $4.17 billion to approximately $3.26 billion, as shown in cell E5 of the “Retirement Rate Authority” worksheet in the attached spreadsheet. Meanwhile, the Act will not affect the Postal Service’s revenue for that period, resulting in an overall reduction in retirement-based rate authority.

1 Order No. 5763, Docket No. RM2017-3 (Nov. 30, 2020), at 318 n.403 (“in the event that Congress takes action that would alter OPM’s payment calculation, the formula’s inputs are designed to incorporate such updates through the annual recalculation”).
Finally, as we indicated in our January 11, 2022 filing of our Schedule for Regular and Predictable Rate Adjustments, we expect to file our next market-dominant price case in early April 2022. The last scheduled meeting of the Governors prior to April is expected to occur on March 30, 2022. The Postal Service therefore respectfully requests that the Postal Regulatory Commission complete its review of our rate authority calculations by the time it issues the Annual Compliance Determination on March 29, 2022. In this vein, we are confident that the existing formula is fully capable of accounting for the relevant changes effected by the PSRA, and that the PSRA does not warrant a reexamination of the retirement-based rate authority formula. If the Commission nonetheless intends to initiate a rulemaking to further consider the formula (which, again, we regard as unwarranted given the robust formula that is already in place), we suggest that such consideration need not delay this year’s rate authority determination.

Best regards,

/s/

Nabeel R. Cheema
Chief Counsel, Pricing & Product Support

Enclosure