NALC FACT SHEET
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Save the Postal Service: Demand Fairness in USPS Pension and Retiree Health Funding

As the economy struggles to recover from the worst recession in 80 years, the Postal Service continues to face a financial crisis. The loss of revenue resulting from declining mail volume is compounded by a provision in the 2006 postal reform law that requires the Postal Service to massively pre-fund its future retiree health benefits at a cost of $5.6 billion annually. The requirement has resulted in mounting losses, rising debt and destructive job and service cuts.

The unprecedented pre-funding provision—no other agency or private enterprise is required to pre-fund, by law or by widely accepted accounting standards—was made worse by how it was implemented by the Office of Personnel Management. The OPM's calculations to determine the initial balance in the Postal Service Retiree Health Benefit Fund (PSRHBF) and the size of the Postal Service's future retiree health liability were deeply flawed. Studies conducted by the Postal Service Office of the Inspector General (OIG)[1] and the Postal Regulatory Commission[2] have shown that the "postal surplus" in the CSRS pension fund, which was transferred to the retiree health fund in 2007, was grossly undervalued by OPM. As a result, USPS was shortchanged by as much as $75 billion when the PSRHBF was created.

Returning these surplus funds to the postal retiree health fund would greatly alleviate the Postal Service's financial stress. In fact, doing so would fully fund the Postal Service's 75-year liability for future retiree health benefits and the current pre-funding requirements would be unnecessary.

In 2011, in order to rectify the unfair, inequitable and financially destructive impact of the pre-funding policies resulting from the OPM's methods, Congress must:

1. Demand that OPM recalculate the postal pension surplus using actuarial methods that are fair to the Postal Service and its ratepayers, as proposed by the OIG;
2. Require that OPM transfer the corrected surplus fund to the Postal Service Retiree Health Benefits Fund; and
3. Repeal the pre-funding requirement found in *Section 8909a* of Public Law 109-435.

The long-term viability of the USPS will require all stakeholders to adapt and innovate and may require Congress to adopt further legislative changes to allow the Postal Service to provide new services and to generate new revenue. But reform of the pre-funding provisions cannot wait until a consensus forms on a new business model. Congress must act this year.

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1. USPS Office of Inspector General report: Estimates of Postal Service Liability for Retiree Health Benefits (Report Number ESS-MA-09-001(R)). See uspsoig.gov/foia_files/ESS-MA-09-001R.pdf.

2. Postal Regulatory Commission Review of Retiree Health Benefit Fund Liability as Calculated by the Office of Personnel Management and the U.S. Postal Service Office of Inspector General, July 30, 2009. See prc.gov/Docs/63/63987/Retiree%20Health%20Fund%20Study_109.pdf.