



NALC FACT SHEET

Department of Legislative and Political Affairs — National Association of Letter Carriers, AFL-CIO

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Premium Conversion

Retired letter carriers, like other federal annuitants, pay an average share of 29 percent for Federal Employees Health Benefit Program premiums. They pay their share of FEHBP premiums with funds withheld from their annuity checks after income taxes are withheld.

Under the NALC's collective bargaining agreement with the United States Postal Service, active letter carriers pay for their health insurance with "pre-tax dollars"—that is, wages excluded from both income and Social Security payroll taxes. This "premium conversion" benefit is available to active federal employees and to employees of

many large private-sector companies. Unlike active letter carriers, annuitants are not eligible for premium conversion benefits, which can reduce income taxes owed.

In the previous Congress, Rep. Chris Van Hollen (D-MD) introduced H.R. 1203, which would allow civilian and military retirees to pay health insurance premiums on a pre-tax basis. Senator Jim Webb (D-VA) introduced a companion bill, S. 491.

A bill to address this unfair policy has not been introduced in the 112th Congress. The NALC will continue to monitor any legislative efforts to rectify this issue.