



NALC FACT SHEET

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

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Support H.R. 5746: United States Postal Service's CSRS Obligation Modification Act of 2010

On July 15, 2010, Rep. Stephen Lynch (D-MA) introduced H.R. 5746, the United States Postal Service's CSRS Obligation Modification Act of 2010.

Lynch, who is chairman of the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, is the first member of Congress to author legislation that attempts to address a decades-old accounting error that led the Office of Personnel Management (OPM) to overcharge the Postal Service, by billions of dollars, for payments into the Civil Service Retirement System (CSRS).

Lynch's legislation takes a big step toward making sure the Postal Service is treated in a fair and equitable manner, allowing it to overcome the very difficult financial challenges it currently faces. Even so, H.R. 5746 only addresses the CSRS overcharge and does not repeal or reform the retiree health pre-funding payment schedule. The USPS must still deal with the onerous, legally mandated, annual pre-funding payments into the Postal Service Retiree Health Benefit Fund (PSRHBF). (For more on these additional challenges, see the 'Save the Postal Service: Demand Fairness in USPS Pension and Retiree Health Funding' Fact Sheet.)

H.R. 5746 takes the necessary first steps toward ensuring a financially sound future for the United States Postal Service. The bill was drafted with two major components, taking into consideration the recent Segal Company Report issued by the Postal Regulatory Commission:

1. It calls on the OPM to recalculate the USPS surplus in the Civil Service Retirement System, using a methodology that fairly allocates the cost of pensions between the Post Office Department

and the U.S. Postal Service as proposed by the Segal Report.

2. Then, once the accurate "postal surplus" is determined by the OPM, the agency would have 90 days to write regulations that include directions for how and when the surplus will be transferred to the PSRHBF.

H.R. 5746 does not address the legally mandated pre-funding payments into the PSRHBF, which are costing the USPS \$5.5 billion annually. Rather, it simply fixes the massive over-funding to the postal CSRS account and directs the surplus "refund" to be transferred into PSRHBF. Additional legislation would be necessary to repeal the future scheduled pre-funding payments to the PSRHBF.

Additionally, the date of the transfer for the overcharge is less important than the acknowledgment by Congress and the OPM that the USPS has sufficient assets to cover all its retirement obligations. Since the PSRHBF already has \$37 billion in it, and since the surplus transfer from the CSRS pension fund would likely leave the PSRHBF fully funded, passage of H.R. 5746 makes an irrefutable case for the repeal of the pre-funding payment.

The Lynch bill would transfer surplus CSRS assets paid for by ratepayer and employee contributions—not taxpayer funds—to the Postal Service's retirement health fund, and it would have absolutely no effect on any current or future federal retiree's annuity.

The NALC supports swift passage of H.R. 5746.