NALC's agenda

Last year, NALC members celebrated a monumental victory when the Postal Service Reform Act (PSRA) was signed into law. This historic and hard-fought-for law helped stabilize the Postal Service's finances by repealing the burdensome pre-funding mandate and securing six-day mail and package delivery. The law guarantees a better future for the Postal Service and letter carriers' jobs.

When NALC met the Postal Service at the bargaining table in February to open negotiations for a new contract, the agency could not reference its crushing financial situation for the first time in 15 years. With the repeal of the unique mandate to pre-fund future retiree health benefits, the agency is no longer hemorrhaging billions of dollars annually. As NALC promised, USPS's finances have visibly improved under the law, better positioning NALC to bargain for our goals.

Even with the victory of postal reform in the rearview mirror, this is not a time to coast. While letter carriers can, fortunately, play less defense on Capitol Hill than in recent years, NALC still has robust legislative and administrative goals that, if enacted, would benefit every letter carrier in some way.

"The Postal Service Reform Act was a huge step in the right direction, and we are grateful it was enacted last year," President Brian L. Renfroe said. "However, there is still more to accomplish. Our legislative and political agenda focuses on improving the work and lives of letter carriers and strengthening the Postal Service. I am committed to utilizing our resources to advance our goals, which would make a meaningful difference for our members."

Implementation of the Segal report

While most of NALC's priorities are legislative in nature, action on the 2010 Segal report, which provides recommendations on the Postal Service's disproportionate contribution to Civil Service Retirement System (CSRS) pensions, requires administrative action. The Segal report is named for Segal Company, actuarial experts hired by the Postal Regulatory Commission (PRC).

To understand the findings of the Segal report and how its implementation could benefit the Postal Service, it is helpful to understand the history of USPS's relationship with the CSRS. CSRS is a federal retirement system for federal and postal employees who started working for the government in 1983 or earlier. It is a defined-benefit pension system in which both employees and employing agencies contribute annually to fund future annuities.

Prior to 1971, CSRS-covered postal workers who were employed by the Post Office Department (POD), which was part of the executive branch and partially funded by the federal taxpayers. However, following the Great Postal Strike of 1970 and the passage of the Postal Reorganization Act that same year, POD was dissolved and USPS was established as an independent federal agency in 1971.

Postal workers were no longer employed directly by the federal government, and salaries and benefits were soon fully funded through postage sales, as they are today. During negotiations over the reform, NALC and the other postal unions fought to include USPS in CSRS to ensure the continuity of pension coverage for POD workers who would now be employed by the new independent agency. As a result, a decision had to be made about how to

split employer pension contributions between the federal government and USPS for workers who had begun their postal careers before 1971.

There are a variety of theories about how to split, or allocate, the CSRS pension costs. The Office of Personnel Management (OPM), which administers the allocation, has one opinion, which saddles much of the cost onto USPS. The USPS Office of Inspector General (OIG) has another, which attempts to spread the cost proportionately between the federal government and USPS. NALC supports a third method recommended by the Segal Company report that uses commonly accepted accounting principles to split costs equitably. It is important to note that these alternate methods merely split the employer costs differently. They do not affect the benefits employees have earned and are entitled to receive upon retirement.

The OPM method (current)

In 1970, it was determined that the federal government should be charged as if benefits froze on June 30, 1971, and that everything else should be charged to USPS. The argument was that any increase in pension benefits after that date was solely the result of decisions made by USPS, so the independent agency should bear the full cost. This means that the federal share is calculated as if employees retired as soon as the Postal Service began operations. USPS pays the entirety of the remaining CSRS obligation, despite the fact that every time pre-1971 workers received a pay increase, their CSRS pension benefits grew in value—including benefits they earned while working for POD. OPM has used this allocation method, and argued for its validity, since.

The USPS OIG method

In 2010, the USPS OIG issued a white paper that argued that the OPM's method "is inequitable and has resulted in the Postal Service overpaying $75 billion to the pension fund." The OIG proposed a different way of splitting the CSRS costs between the federal government and USPS. The OIG's "years of service" method suggested assigning costs in direct proportion to the number of years employees worked for POD or USPS. For example, if an employee spent exactly half of his or her career working for POD and the other half working for USPS, the pension costs for that employee would be equally divided between the federal government and USPS. This would greatly reduce the amount charged to USPS, and increase the amount charged to the federal government.

The Segal method

Following the OIG's report, as directed by the Postal Accountability and Enhancement Act (PAEA) of 2006, USPS asked the PRC to weigh in on the fairness of the OPM's allocation method. Because such an inquiry required specialized actuarial knowledge, the PRC contracted with the Segal Company to conduct the analysis.

Segal evaluated both the OPM and USPS OIG methods, reviewed various allocation methods that have been used in the public and private sectors, and referenced core accounting principles that had not yet been developed in 1971 to propose yet another allocation method: the "benefit accrual" method. The Segal method takes into account the traditional CSRS formula in which employees earn benefits more slowly during the start of their careers and more quickly in later years (as supported by OPM). However, it also assigns the federal government costs based on employees' actual pay at the end of their career instead of a salary frozen in 1971 (as proposed by the USPS OIG). The Segal report notes that both of these elements are outlined quite clearly in modern accounting principles—and that neither is discretionary, implying that there should be little debate about the obligation to follow this method. The Segal report also notes that neither the OPM nor the USPS OIG method is out of step with accepted accounting principles, but that its own recommendation is more fair and equitable, while OPM's, in particular, is neither.

Despite the Segal report's proposal for a method that would produce a more equitable split of pension costs between the federal government and USPS, no action has been taken to implement this proposal over the last 13 years. This is also despite the fact that the PAEA gave OPM the authority to correct these accounting practices. The effect such an allocation shift would have on USPS long-term financial stability is immense. A 2018 update to the USPS OIG's original 2010 report estimated that the Segal method would add an additional $80 billion to the postal CSRS fund because the misallocation of pension liabilities had continued for another eight years—and continues to grow each day.

The PSRA was a significant step toward the Postal Service reaching financial solvency. In 2022, the cancellation of past-due pre-funding payments, removed $56 billion in liabilities from the agency's balance sheet. Similarly, the reform law cut operating losses by $4 billion last year and reduced the liability for retiree health benefits by $66 billion due to Medicare integra-

tion. Implementing the Segal report is the next necessary step to strengthen postal finances.

Since the recommendations of the Segal report were released 13 years ago, NALC and our friends in Congress have repeatedly asked and pressured the different administrations to act. In 2011, the Obama administration wrote a letter to the then-chairman and ranking member of the House oversight committee stating that no executive order would be delivered since postal reform was the focus. During the Trump administration, NALC's focus was fending off legislative attacks and pushing for enactment of the PSRA. Implementing the Segal report was put on the back burner.

Now, NALC has made executive action on the Segal report our top priority with the Biden administration. As a presidential candidate, Biden committed to addressing the pension issues raised by the Segal report, but so far he has not acted. The union has sent multiple letters and met with White House officials urging President Biden to take executive action. NALC and the other postal unions have sent letters to the White House, as have the leaders of the House and Senate oversight committees.

Implementation of the Segal report would be the ultimate complement to the victories of the PSRA and would further improve the Postal Service's financial outlook, thus benefiting letter carriers. NALC has and will continue asking the administration to take this sensible action.

USPS BOG and PRC

NALC's other administrative priorities involve two important bodies that oversee the Postal Service, the USPS Board of Governors (BOG) and the PRC.

The BOG is responsible for overseeing the executive management of the Postal Service. The nine members of the BOG are nominated by the president and must be confirmed by the Senate. By law, no more than five members can be affiliated with the same political party.

Two members of the BOG, Capt. Lee Moak and William Zollars, are serving in holdover years for their terms that expired on Dec. 8, 2022. Their holdover terms expire on Dec. 8, 2023. NALC has encouraged the administration to renominate Moak, who is a union member and former president of the Air Line Pilots Association.

We have made it clear to the administration and our friends in the Senate that stability at the BOG and the Postal Service's leadership is key for NALC, especially during ongoing contract negotiations.

The PRC is an independent body that has regulatory oversight of USPS. Its responsibilities include preventing anticompetitive practices, promoting accountability, adjudicating complaints, setting postal rates and helping oversee delivery service standards. Its five commissioners also are nominated by the president and confirmed by the Senate. Michael Kubayanda is serving as PRC chairman, Ann Fisher and Ashley Poling are serving as commissioners, and the remaining two positions are vacant. NALC supports a fully staffed PRC and is encouraging the administration and the Senate to prioritize filling these vacant positions.

Repeal of the WEP and GPO

Some of NALC's legislative battles are ones we have been fighting for years. At the top of that list is repealing the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These two parts of Social Security law significantly disadvantage millions of federal employees, including letter carriers.

In practice, these two provisions unfairly reduce or sometimes eliminate benefits for certain federal employees; however, that was not the intention when Congress adopted them decades ago.

The WEP was enacted in 1983 to strengthen Social Security's finances by removing any "windfall" advantage that the benefits formula provided for workers who also had pensions from employment not covered by Social Security. The pre-1983 formula was meant to protect workers who spent their careers in lower-paying jobs. However, that formula could not differentiate between those beneficiaries and other employees who appeared to be low-paid workers since they worked many years in a non-Social Security-covered job. For workers who worked in non-Social Security-covered positions, those years showed up as $0 for their Social Security benefits, drastically affecting the equation and disproportionately increasing their benefits. As a result, lower-paid workers and those who worked in non-Social Security-covered jobs who might have been top earners could have received benefits of similar amounts.

The WEP intended to remedy this problem, but the impact spread much wider, ultimately decreasing the benefits for millions of CSRS retirees. For example, many letter carriers work for the Postal Service as well as private-sector employers over their working years. Therefore, they pay into both the federal pension programs, CSRS or the Federal Employees Retirement System

(FERS) for their federal service, and into Social Security for their private-sector employment.

FERS retirees receive full benefits from their federal pension plan and Social Security for their federal service since they paid into both systems while employed by the Postal Service. Although retired CSRS letter carriers naturally do not expect to receive Social Security benefits for their service for the Postal Service because they did not pay into the Social Security system during their tenure there, most are shocked to find out that their Social Security benefits for their private-sector work—or the private-sector work of their spouses—are usually reduced by the WEP and GPO.

Specifically, WEP affects CSRS employees by reducing their earned Social Security benefits. WEP also reduces the Social Security benefits of FERS employees who also receive a public pension from another job not covered by Social Security. In addition, WEP affects state and local government employees who also move between public sector jobs (not covered by Social Security) and Social Security-covered jobs. Nearly 2 million Americans have been affected by WEP, and the number will continue to grow as more CSRS employees and state and local public employees retire.

Similarly, the GPO was adopted to address the idea that certain federal retirees were "double dipping" into their Social Security benefits. It was enacted in 1977 after a Supreme Court ruling that men were not required to prove that they received at least one-half of their spouses' support to qualify for their spousal or widowers' benefits. At the time, women were not subject to the same test since they were presumed to be dependent on their spouses.

This rule made hundreds of thousands of male retirees who had worked in non-covered government employment eligible for spousal or widower Social Security benefits—adding hundreds of millions of dollars to the program's cost. In an effort to prevent this "windfall," the GPO was adopted as part of the Social Security Amendments of 1977. It instituted the subtracting of 100 percent of the non-covered government pension from the Social Security spousal benefit.

However, this did not recognize that government pensions often combine elements of one's Social Security benefit and a pension intended to supplement Social Security. Congress then amended the provision and lowered the GPO reduction to two-thirds of the non-covered government pension under the Social Security Amendments of 1983. This two-thirds reduction still stands today.

Now, GPO affects CSRS employees and spousal benefits of people who work as federal, state or local government employees if the job is not covered by Social Security. Usually, survivors and spouses of Social Security benefits qualify for spousal and survivor benefits based on the earnings and benefits of their spouses—unless they qualify for greater benefits based on their own Social Security earnings history. For CSRS letter carriers with little or no private-sector work experience, such spousal and survivor benefits from Social Security could be significant. However, the GPO typically eliminates most, if not all, of the otherwise payable spousal and survivor benefits for retirees who receive a government annuity for non-Social Security work. Currently, the GPO still reduces the benefit received by surviving spouses who also collect a government pension by two-thirds.

The Social Security Fairness Act (H.R. 82/S. 597) would repeal these unfair provisions that reduce or even eliminate benefits for certain federal employees, including letter carriers. Reps. Garret Graves (R-LA) and Abigail Spanberger (D-VA) introduced the legislation in the House in January, and Sens. Susan Collins (R-ME) and Sherrod Brown (D-OH) introduced it in the Senate in March.

Last Congress, the bill received a supermajority of bipartisan support in the House but did not reach the floor. In the 118th Congress, H.R. 82 already has 229 co-sponsors in the House—164 Democratic and 65 Republican—and S. 597 has 38 co-sponsors in the Senate—31 Democrats, four Republicans and three independents. Despite consistent bipartisan interest in the legislation, advancing the bill has been challenging due to the high price tag associated with increasing Social Security benefits for millions of retired public employees.

WEP and GPO affect many of our retired members and will eventually affect many more NALC members. Repealing the WEP and GPO through the SSFA is in the best interest of NALC members and millions of other public employees receiving reduced retirement benefits.

Buying back time for non-career employees

Many letter carriers, including more than 96,000 active city carrier assistants (CCAs), begin their Postal Service careers in non-career positions. Under current law, these employees, who

NALC's agenda

include casuals, transitional employees (TEs) and CCAs, do not receive retirement credit for their time spent in these positions, because it is not creditable time under FERS. Therefore, these employees must work longer to reach the required years of employment to receive their full retirement benefits.

This problem is not unique to letter carriers or even to the Postal Service. All federal employees who start their careers in non-career positions are affected. The Federal Retirement Fairness Act (FRFA) would change this by modifying what is considered creditable federal civilian service under FERS. It would allow employees to make catch-up retirement contributions for time spent as non-career employees after Dec. 31, 1988, making such time creditable service under FERS.

Tens of thousands of letter carriers who are also veterans have credited their military service toward their civilian retirement through the Military Buy Back program. If enacted, the FRFA would work similarly for employees who spent time in non-career positions.

The FRFA has yet to be introduced in the 118th Congress. The bill's advocates in the House have committed to working with the committee of jurisdiction—the Committee on Oversight and Accountability—to ensure that the version of the legislation introduced is set up for ultimate success.

The FRFA would make achieving a comfortable retirement easier for tens of thousands of letter carriers.

Resolutions to protect service

NALC also will continue supporting and monitoring resolutions to strengthen the Postal Service and improve service. For years, NALC had to work for the annual introduction of a House resolution that would guarantee six-day mail and package delivery. Fortunately, with six-day delivery codified in the PSRA, that box is checked, and NALC no longer has to lobby for this resolution.

One resolution NALC will continue monitoring is the door delivery resolution, which would continue door delivery for all the Postal Service's business and residential customers. This common-sense resolution secures door delivery, the service that customers prefer. Although the resolution has not been reintroduced in the 118th Congress, this is expected soon.

Letter carriers are valued and trusted in their communities, sentiments only strengthened during the pandemic and also during recent elections that relied heavily on mail balloting. During this period, the public was reminded of letter carriers' critical role in delivering paychecks, packages, medications, ballots and more. The overwhelming preference of customers, and NALC, is to continue door delivery service.

Properly investing USPS's retirement funds

Stabilizing the Postal Service's finances secures the future of letter carriers' jobs and benefits; therefore, it will always be a top priority for NALC. The PSRA already has drastically improved USPS's finances, and implementing the Segal report would continue to better the agency's financial outlook. The next legislative step to ensure financial stability is to properly invest the Postal Service's retirement funds, CSRS, FERS and the Postal Service Retiree Health Benefits Fund (PSRHBF).

NALC is in the early stages of conversations with bipartisan lawmakers about diversifying the funds' investment portfolios. Currently, all three retirement funds are invested in low-yield Treasury bonds. NALC is proposing to adopt private-sector best practices by diversifying the investment portfolios with stocks and bonds through the purchase of Thrift Savings Plan-style index funds. This sensible change would result in greater returns on investment and mirror the long-established practices of many federal trust funds, including those held by Amtrak, the Federal Deposit Insurance Corporation, the Pension Benefit Guaranty Corporation and the National Railroad Retirement Investment Trust. The proposed plan would keep some funds in the Treasury's books while investing all future contributions with the new strategy.

If the long-term return rates on USPS retirement funds were to increase, the Postal Service's normal cost of payments for postal pensions would be reduced, amortization payments for unfunded retirement liabilities would be lowered and eventually eliminated, and the Postal Service and its employees would save hundreds of millions of dollars annually.

A version of an updated investment strategy was cleared by the House oversight committee in the 115th Congress. NALC's new plan is bolder yet more practical, beneficial and legislatively achievable.

The union is focused on educating our friends in Congress on this issue, explaining the proposed solution, and emphasizing how a new investment strategy would guarantee a stronger Postal Service and a better future for postal workers. NALC is gauging interest in the issue and has received positive responses from both sides of the aisle. Before any legislation is crafted, NALC will continue to prioritize these informational conversations so that members of Congress understand how an updated investment strategy for the Postal Service's retirement funds could positively affect the agency's finances.

Staying informed and the path forward

All NALC members are encouraged to stay informed with updates on our legislative agenda and activities by frequently checking the "Government Affairs" section of nalc.org. There, you will find the latest legislative news, activities—including letters to the White House and Congress—fact sheets and the legislative action center.

Visit nalc.org/factsheets for more information on our priority bills. If you have district meetings planned with your members of Congress, bring our fact sheet QR with you so everyone can easily access this information at their fingertips. NALC members can also access the legislative action center at nalc.org/action to contact their lawmakers on our priority issues.

Understanding our agenda and how it would benefit you is essential to our success. When NALC members know what we are working toward, they are more inclined to stand up, help and join the fight. The best and easiest way to make progress on our goals is by contributing to our political action committee, the Letter Carrier Political Fund (LCPF).

NALC Fact Sheets
National Association of Letter Carriers

Get a printable version at nalc.org/qr

The LCPF enables NALC to strengthen and build new relationships across the aisle. When more pro-letter carrier members are in Congress, NALC is positioned for greater success.

"We have an ambitious legislative agenda," NALC President Renfroe said. "We need help from all our members to make progress. If more NALC members start contributing to LCPF, I am confident that we can continue making strides toward our goals, thereby benefiting our members and all letter carriers."

To learn more about LCPF, visit nalc.org/pac or contact your legislative and political organizer (LPO). **PR**

Note: By making a contribution to the Letter Carrier Political Fund, you are doing so voluntarily with the understanding that your contribution is not a condition of membership in the National Association of Letter Carriers or of employment by the Postal Service, nor is it part of union dues. You have a right to refuse to contribute without any reprisal. The Letter Carrier Political Fund will use the money it receives to contribute to candidates for federal office and undertake other political spending as permitted by law. Your selection shall remain in full force and effect until canceled. Contributions to the Letter Carrier Political Fund are not deductible for federal income tax purposes. Federal law prohibits the Letter Carrier Political Fund from soliciting contributions from individuals who are not NALC members, executive and administrative staff or their families. Any contribution received from such an individual will be refunded to that contributor. Federal law requires us to use our best efforts to collect and report the name, mailing address, occupation and name of employer of individuals whose contributions exceed $200 per calendar year. Any guideline amount is merely a suggestion, and an individual is free to contribute more or less than the guideline suggests and the union will not favor or disadvantage anyone by reason of the amount of their contribution or their decision not to contribute.

Have questions or need additional resources? Contact your LPO.

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