



# National Association of Letter Carriers

100 Indiana Ave. NW  
Washington, DC 20001-2144  
202.393.4695  
www.nalc.org

Fredric V. Rolando, President

October 6, 2011

The Honorable Joseph I Lieberman  
Chairman  
Committee on Homeland Security  
And Governmental Affairs  
United States Senate  
Washington, DC 20515

The Honorable Elijah E. Cummings  
Ranking Member  
Oversight and Governmental Reform  
Committee  
U.S. House of Representatives  
Washington, DC 20510

The Honorable Thomas R. Carper  
Chairman  
Subcommittee on Federal Financial  
Management, Government Information  
and International Security  
United States Senate  
Washington, DC 20510

The Honorable Stephen P. Lynch  
Ranking Member  
Subcommittee on Federal  
Workforce, Postal Service  
and Labor Policy  
U.S. House of Representatives  
Washington, D.C. 20510

Dear Senators and Representatives:

On September 23, 2011 you and your Republican counterparts addressed a joint letter to the Comptroller General requesting a GAO review of the issues surrounding the postal sub-account in CSRS. The letter posed one specific question -- whether the OPM's current pension cost allocation methodology is consistent with the law -- and requested comments on the two other matters, the independent audits that have been done for the PRC and USPS IG and the potential impacts on the CSRS and its stakeholders of a "refund" of the CSRS over-payment. (Note that none of the pending bills actually call for a CSRS "refund" to the USPS; the funds would be allocated to the PSRHBF.) Given the GAO's well known views on the first question -- it sided with the OPM and against the USPS in a review done in 2002 -- and its role in devising the crushingly unrealistic policy on retiree health funding that has so damaged the Postal Service, we hope you will not give the GAO's response to your letter undue consideration. To be blunt, the GAO is not in a position to serve as a neutral referee when it comes to USPS finances. It has been closely aligned to one party in the various pension and retiree health care disputes -- the OPM.

In our view, the key question is not whether the OPM's methodology is consistent with the law, but whether it is fair to the Postal Service, its patrons and its employees. Indeed, we believe that the methods endorsed by the independent auditors are also consistent with the law (including the repealed 1974 statute that OPM claims has tied its hands in the allocation of pre-1971 CSRS costs). But the methods advocated by the Hay Group and the Segal Company (who are truly neutral parties) are clearly more fair than the grossly inequitable methods adopted by OPM to shift a substantial portion of the cost of pre-1971 pension benefits to the Postal Service and its employees. See the attached chart.

The Postal Service's 560,000 employees (not to mention the 7.5 million other private sector workers in the postal industry) believe that basic fairness -- not debates about legal consistency or impacts on non-postal stakeholders -- should drive the legislative process in the weeks ahead. The fact that other agencies have funded only 40% of their pension liabilities and require large amortization payments from the Treasury's General Fund should not be used to justify imposing an inequitable burden on the USPS, its customers and its employees.


October 6, 2011  
Page 2

There is broad bipartisan support for the adoption of fairer methods for allocating the cost of CSRS pensions. Some 224 Members of Congress from both parties have co-sponsored Rep. Lynch's bill in the House of Representatives. Both the Carper and Collins bills (S. 1010 and S. 353) have embraced the results of the independent audits. The views of the GAO may be useful, but Congress is responsible for setting policy in a fair way and we hope you will resist efforts by your GOP counterparts to use the GAO response to your letter to block sensible and fair reform.

We believe that fairness should also drive the Congressional approach to reforming the pre-funding of retiree health benefits. No other agency or company is required to pre-fund such benefits. Under FASB and GAAP accounting rules, companies in the private sector that participate in multi-employer health plans like FEHBP are allowed to expense retiree health benefits on a pay-as-you-go basis. And among the minority of companies that pre-fund at all, most only do so when they are profitable. But to the extent that the USPS is to be held to a different standard, it is absolutely essential that it and its employees be treated fairly in the allocation of CSRS pension costs. This is because under current law, any surplus in the CSRS is to be allocated to cover the cost of future retiree health benefits. In our view, the CSRS surplus should be transferred to the PSRHBFB and all further pre-funding should be suspended until the economy recovers, the USPS returns to profitability and Congress agrees on a new business model for the U.S. Postal Service.

Regardless of the GAO's views on these matters, mandating the fair methods advocated by the PRC and IG audits will not only restore some basic fairness for the USPS and its employees, but it will help a major industry recover from the worst recession in 80 years and give one of America's great institutions a fair chance to reinvent itself for the 21<sup>st</sup> Century. NALC and the other postal unions will do their part at the collective bargaining table and in the nation's post offices. Congress must do its part as well. Thank you for your tireless efforts to restore the Postal Service to financial health.

Sincerely,



Fredric V. Rolando  
President

# Forcing the USPS to pay more than its Fair Share of CSRS Pension Costs: How the OPM Defines "50-50"

Example: A Retired Letter Carrier with 30 years of Service

