

Here's a 'silver bullet' we can all believe in



In Washington, think tanks and politicians are fond of peddling snappy, simple solutions to complex problems. On closer inspection, these “silver bullets” usually fail to live up to their billing.

For example, looking at the financial challenges confronting the USPS, it's easy to say, as one senator recently did, “Let's deregulate the Post Office and let it be a real business.” That might or might not restore the Postal Service's finances, but it definitely would be disastrous for the country and for postal employees—the loss of universal service, the end of affordable postage, and a devastating blow to the \$800 billion mailing industry and its workers.

Fortunately, there is a rare silver bullet solution to the Postal Service's immediate distress: An honest way to correct the flawed retiree health pre-funding provisions of the Postal Accountability and Enhancement Act of 2006. It's right in front of us—a policy fix that would eliminate the \$5.5 billion annual pre-funding payments altogether, save another \$2 billion per year on current retiree health benefits, and maybe even permit the USPS to pay off its entire outstanding debt.

NALC has been raising the alarm about key policy errors underlying the pre-funding schedule in the law for more than three years. In testimony before Congress, in our grass roots lobbying efforts and in our publications, we have relentlessly campaigned to correct mistakes made during the Bush administration that led to the grossly inflated payments now required by law to cover future retiree health benefits. Last year, we even approached the USPS Office of Inspector General, an office we've clashed with in the past, and urged the staff there to investigate the issue. Well, thanks to a report from the OIG in late January (see story, page 5), the case for using this particular silver bullet has been greatly strengthened.

The OIG's report, “The Postal Service's Share of CSRS Pension Liability,” concludes that the Office of Personnel Management shortchanged the Postal Service by \$75 billion when it set up the Postal Service Retiree Health Benefit Fund in 2007. That fund was

created with a transfer from the Civil Service Retirement Fund that was supposed to represent the surplus in the Postal Service's portion of the CSRS fund—the difference between USPS contributions to the fund and the cost of benefits earned for work done *for the Postal Service*.

But when OPM calculated the “postal surplus,” it allocated to the Postal Service tens of billions of dollars in retirement costs that should be borne by taxpayers for pre-1971 service for the Post Office Department, before the USPS was created. The reason? To minimize the size of the transfer, which made the Bush budget books look better. The USPS and the NALC have challenged this miscalculation for years and now the OIG inquiry has confirmed our claims.

Let's follow the math:

According to the OIG report, there is a \$10 billion unfunded liability for postal CSRS pension benefits that developed between 2007 and 2009.

Subtract that from the \$75 billion and the USPS' current CSRS surplus is \$65 billion.

If that amount were added to \$35 billion already set aside in the Postal Service Retiree Health Benefit Fund, the Postal Service would have more than enough to cover all future retiree health costs. In fact, those benefits would be *over-funded by \$13 billion*.

The OIG has joined the NALC's call to both the administration and Congress to fix this OPM error, along with other faulty assumptions about future health care inflation and postal employment levels used by OPM to grossly inflate the pre-funding payments.

Relieving the USPS of the crushing (and erroneous) burden to pre-fund retiree health benefits won't solve the Postal Service's long-term challenges—and it won't be easy because it still requires Congress to pass legislation. But it will give all postal stakeholders the breathing space we need to do the hard work on Capitol Hill and at the bargaining table to develop a viable long-term model for the Postal Service in the digital age.

That's a silver bullet we can believe in. ✉