President Barack Obama (l) and Speaker of the House John Boehner (below) led negotiations over raising the debt ceiling.

Obama photo courtesy of Joint Base Lewis-McChord

Debt ceiling stalemate dangerous for nation and letter carriers

Like a ticking time bomb, the deadline for Congress to raise the debt ceiling loomed large in Washington, DC, as the early August date approached amid expectations as this *Postal Record* was being prepared that negotiations would go right up until the deadline. With many legislators tying any extension of the debt limit to long-term debt reduction and to spending cuts, the process could ultimately affect letter carriers' pay and benefits.

As reported in the May issue of *The Postal Record,* the United States must raise the debt limit or face an economic crisis that, according to Treasury Secretary Timothy Geithner, could make the economic troubles of the previous four years look modest in comparison.

A report by the Bipartisan Policy Center contended that if the debt ceiling was not raised in time, federal spending would be cut by 44 percent in August. If that happens, Geithner could severely reduce payments to government workers. The Postal Service is financed by ratepayers and not the government and might be able to avoid such cuts, but any long-term changes to the federal workforce would have a dramatic impact on contract negotiations between NALC and the Postal Service. (For example, the most recent agreement between the American Postal Workers Union and the USPS included pay freezes that mirrored those enacted for federal employees.)

As this magazine was going to press, Republicans and Democrats were negotiating over what a debt-reduction package would entail, but reports surfaced that it could include between $2 trillion and $4 trillion in long-term cuts. With changes to Social Security and the federal workforce on the table, letter carriers should be aware that any deal could potentially affect us.

Some of the proposed changes include moving the basis for federal pensions from the highest three-year average of pay to the highest five years. Federal employees and carriers also could be expected to increase their contributions to their retirement funds.

Federal employees covered by FERS currently contribute 0.8 percent of payroll to their pension plans, but under the changes reportedly being discussed, their contributions would increase to half the cost of the defined benefit they receive at retirement (which now stands at 12.6 percent). The changes would effectively cut FERS carriers' pay by 6 percent. If the same policy were applied to CSRS employees, their contributions would rise from 7 percent to 12.2 percent. For FERS and CSRS employees, this would amount to an annual pay cut of between $2,700 and $3,300 for most carriers.

"NALC will fight any proposed cuts in our health and pension benefits with all the resources at our disposal," NALC President Fredric Rolando said.

Photo courtesy of Talk Radio News Service

There also is talk of changing the way Social Security and federal pension cost-of-living adjustments are tied to inflation, using a so-called "chained" Consumer Price Index to set Social Security payouts. If that happens, federal and postal pensions are almost certain to also switch to the chained CPI to set cost-of-living adjustments.

A chained CPI lowers COLAs by taking into account human nature—as when consumers change their buying habits, buying fewer products that go up at a higher rate. As an example, if pencils became more expensive, people would tend to buy pens instead.

Experts estimate that such a change could save from $255 billion to $300 billion over its first decade.

"The NALC is currently engaged in efforts with the AFL-CIO and other allies to defeat these proposals," Rolando said, "but the negotiations among the politicians remain heated, and it's hard to tell what will ultimately be in any deal, or if there will even be one." ✉