Retirement security in a crisis

Dan Toth

There has been a lot of talk in the last few months regarding the Postal Service's dire financial situation, and how the agency is quickly running out of cash. Along with this comes talk of whether the Postal Service should be included in pandemic relief programs like other industries and businesses that have been affected by the crisis. It remains to be seen what the future holds for our jobs and the Service, which has led many carriers and retirees to raise concerns about the safety of their retirement benefits.

NALC members should not be overly concerned. The Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) are entitlement benefits, which means that they are required by law and are payable to any person who meets the eligibility criteria established by the law. Essentially, the federal government has a binding obligation to make the payments, regardless of the financial condition of the Postal Service. In other words, CSRS and FERS benefits are guaranteed under current law and can only be modified through a change in legislation.

In any case, the Postal Service is only one of many federal agencies that use CSRS and FERS benefits. In fiscal year 2018, more than 2.6 million people received annuity benefits from the two programs, including some 500,000 postal annuitants. Moreover, the Civil Service Retirement and Disability Fund (CSRDF), the fund for FERS and CSRS benefits, had a balance of $915.3 billion, an amount equal to more than 10 times the amount of outlays from the fund that year. In the unlikely event that the CSRDF is exhausted, benefits are payable by the Treasury's General Fund, by law.

Employees with five years of creditable civilian service under CSRS or FERS become vested and by age 62 become eligible to receive an annuity. This remains true even if the Postal Service is forced to furlough or lay off employees that are vested. FERS disability retirement requires only 18 months of credit under FERS civilian service.

However, FERS is a three-part retirement system that includes the Thrift Savings Plan (TSP). Furloughed or laid off employees would no longer be able to contribute to their TSP. TSP participants are immediately vested in their own contributions and any agency matching contributions. However, there is a minimum amount of time in service a TSP participant must meet in order to be vested in the agency automatic contributions (1 percent) and associated earnings in their accounts. FERS employees become vested in these agency automatic contributions and earnings after three years of creditable civilian service, as determined by their TSP Service Computation Date (see item 20 on your PS 50, Notification of Personnel Action).

When you work and pay Social Security taxes, you earn "credits" toward Social Security benefits. The number of credits you need to get retirement benefits depends on when you were born. Those born after 1929 need 40 credits (10 years of work). If you stop working before you have enough credits to qualify for benefits, the credits will remain on your Social Security record. If you return to work later, you can add more credits to qualify. A financial crisis at the Postal Service would not diminish your Social Security record.

Retiree health benefits, which are a vital component of any healthy retirement (especially as health care prices continue to skyrocket in the United States), are also an entitlement program, and a liquidity crisis at the Postal Service would pose no direct or immediate threat to the health benefits of retired postal employees. In any event, the Postal Retiree Health Benefits Fund (PSRHBF) has more than $40 billion in assets, and NALC maintains that the benefits it funds are payable under current law even if the PSRHBF runs out of money.

While NALC and other postal unions will certainly fight to secure additional relief for postal employees adversely affected by the pandemic, a liquidity crisis at the Postal Service could also affect other workplace benefits. Laid off workers would likely lose access to life insurance benefits under the Federal Employees' Group Life Insurance program and health insurance benefits under the Federal Employee Health Benefits (FEHB) program, though such furloughed employees would qualify for continued coverage under COBRA at their own expense (for both the employee and employer premiums).

> **"The federal government has a binding obligation to make [retirement] payments, regardless of the financial condition of the Post Office."**

There is one important caveat to all of this. Our benefits are set by law, so what Congress has granted us, Congress can take away by changing the law. Although we have no reason to believe that Congress would slash our benefits in the event of a liquidity crisis at the Postal Service, it has the power to do so. That is why NALC considers legislative and political engagement such a high priority. The men and women elected to federal office make all the decisions about our jobs, our pensions and our health insurance.