NALC FACT SHEET

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Support H.R. 1351: United States Postal Service's Pension Obligation Recalculation and Restoration Act of 2011

On April 5, 2011, Rep. Stephen Lynch (D-MA) introduced H.R. 1351, the United States Postal Service's Pension Obligation Recalculation and Restoration Act of 2011.

Lynch, the ranking member of the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia, was the first member of Congress to author legislation last Congress to address a decades-old accounting error that led the Office of Personnel Management (OPM) to overcharge the Postal Service by billions of dollars for payments into the Civil Service Retirement System (CSRS).

Lynch's bill once again takes a big step toward making sure the Postal Service is treated in a fair and equitable manner, allowing it to overcome the very difficult financial challenges it currently faces. In addition to addressing the CSRS overcharge, H.R. 1351 also deals with the more recent finding regarding another overcharge to the USPS related to the Federal Employees Retirement System (FERS). Even so, H.R. 1351 only addresses the CSRS and FERS overcharges and does not repeal the onerous, legally mandated, annual pre-funding payments into the Postal Service Retiree Health Benefit Fund (PSRHBF). (For a complete background on these additional financial challenges, please see the NALC Fact Sheet entitled Save the Postal Service: Demand Fairness in USPS Pension and Retiree Health Funding.)

H.R. 1351 takes the necessary first steps toward ensuring a financially sound future for the United States Postal Service. The bill was drafted with three major components, taking into consideration the recent Segal Company Report issued by the Postal Regulatory Commission:

1. It calls on the OPM to recalculate the USPS surplus in the Civil Service Retirement System within six months of enactment, using a methodology that fairly allocates the cost of pensions between the Post Office Department and the U.S. Postal Service as proposed by the Segal Report.

2. Then, once the accurate "postal surplus" is determined by the OPM, the agency would have 15 days to transfer the surplus to the PSRHBF.

3. Direct the OPM to permit the USPS to use most of its $6.9 billion surplus in the FERS system to satisfy two obligations in FY 2011: a $5.5 billion payment due to the PSRHBF, and a $1.2 billion estimated payment to the Department of Labor for Federal Employees Compensation Act (workers comp.) expenses. Any remaining funds would be used to reduce the Postal Service's normal cost-percentage for FERS in future years.

H.R. 1351 does not address the legally mandated pre-funding payments into the PSRHBF beyond the FY2011 payment, which costs the USPS $5.5 billion annually. Rather, it simply fixes the massive over-funding to the postal CSRS and FERS accounts. Additional legislation would be necessary to repeal the future scheduled pre-funding payments to the PSRHBF.

Additionally, the date of the transfer for the overcharge is less important than the acknowledgment by Congress and the OPM that the USPS has sufficient assets to cover all its retirement obligations—for both pensions and health benefits. Since the PSRHBF already has more than $42 billion in it, and since the surplus transfer from the CSRS pension fund would likely leave the PSRHBP fully funded, passage of H.R. 1351 makes an irrefutable case for the repeal of the pre-funding payments called for by current law.

The Lynch bill would transfer surplus CSRS and FERS assets paid for by ratepayer and employee contributions—not taxpayer funds—to the Postal Service's retirement health fund, and it would have absolutely no effect on any current or future federal retiree's annuity.

The NALC supports swift passage of H.R. 1351.