

League Position Paper



Overpayment of Pension Obligation; Need to Fund Retiree Health Benefits

Updated January 23, 2012

Issue:

The only two actuarial studies of the Postal Service CSRS pension fund have shown that it is overfunded by somewhere between \$55 and \$75 billion, depending upon your assumptions. This pension overpayment amount is sufficient to prefund the Postal Service's retiree health benefits obligation and eliminate the need for most of the current annual payment of more than \$7 billion for funding current and future health benefits. The surplus pension payments should be transferred from the pension fund to the retiree health benefits fund so that the more than \$7 billion payment can be largely eliminated.

Bill Numbers & Sponsors

A variety of bills address this problem.

LEAGUE Position:

The LEAGUE supports these measures.

Status:

Referred to Committee.

Facts & Analysis: Two actuarial studies have shown that the Postal Service has overpaid into its CSRS retiree pension plan. No study has found to the contrary. GAO has said that the payment account was consistent with law. That hedges the point. More money has been paid into the system than is necessary and fair, according to the actuaries that have studied this. These dollars do not come from taxpayers, but from postal ratepayers, and were given to the Postal Service in exchange for postal services.

At the same time, the 2006 postal reform law forced the Postal Service to prefund its retiree health benefits in a 10-year time frame rather than a more realistic time frame, thus unnecessarily adding billions of dollars per year to its annual operating costs. Transferring the pension surplus to the Postal Service's retiree health benefit fund would come close to fully meeting all of the Postal Service's accrued retiree health care liabilities and eliminate the need for the required annual payments of more than \$7 billion for funding current and future health benefits. This is more than enough to stabilize the Postal Service's financial condition.

Argument: See the LEAGUE's talking points.

National League of Postmasters
5904 Richmond Highway Suite 500, Alexandria, VA 22303-1864
703-329-4550 703-329-0466 (f)