

League Position Paper



Overpayment of Pension Obligation; Need to Fund Retiree Health Benefits

Updated January 26, 2010

Issue: Recent studies have shown that the Postal Service has (for the third time) been forced to overpay into its *retiree pension fund*—as contrasted to its retiree pension *health benefits* fund—to the tune of \$75 Billion. This overpayment amount is sufficient to prefund the Postal Service’s retiree health benefits obligation and eliminate the need for the current annual payment of more than \$7 billion. The surplus pension fund payments should be transferred from the pension fund to the health benefits fund.

Bill Numbers & Sponsors Not yet introduced.

LEAGUE Position: The League will strongly support this bill, once it is introduced.

Status: Not yet introduced.

Facts: A recent study by the Postal Service Inspector General (RARC-WP-10-001, January 20, 2010) has shown that the Postal Service, once again, has been forced to overpay into its retiree pension plan, to the tune of \$75 Billion. At the same time, the Postal Service has to pre-fund its retiree health benefits obligations, but is having a challenging time making that payment because of the economic times. Transferring the surplus of its pension obligation and to the Postal Service’s health benefit fund would fully meet 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.

Analysis and Argument: Because of the economic crisis, last year the Congress granted relief to the Postal Service, so that it would not have to pay all of the amount currently calculated to be due for the pre-funding of its retiree health benefits obligation. That was a one year fix for FY 2009. More relief is needed this year. Allowing the Postal Service to use the money that it has overpaid for pensions to cover its retiree health benefits liability makes perfect sense. All of it is the Postal Service’s money. None of it is taxpayer money.

These are serious and very negative economic times. We all need to rally around this issue and help the Postal Service through this crisis. Remember that the Postal Service, even in this electronic era, is still the backbone of the country’s economic transaction system and the health of the economy depends upon a Postal Service that is healthy and functioning well.

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