



NRLCA FACT SHEET

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Pre-Funding Future Retiree Health Benefits

Under the Postal Accountability and Enhancement Act of 2006 (PAEA), a payment schedule was statutorily mandated requiring the Postal Service to make annual payments ranging from \$5.4 to \$5.8 billion from 2007 to 2016, which are held in a trust fund to finance the retiree health benefits fund (RHBF) from 2017 into the future. PAEA also mandated a separate payment to the Office of Personnel Management (OPM) to pay for current retiree health benefit payments, which will be paid until 2016. When this payment plan was being considered in 2006, the schedule was practical, but a year later the payments became unrealistic as the nation's economy collapsed and mail volume declined.

This congressionally mandated pre-funding schedule accounts for roughly 90% of the Postal Service's losses since pre-funding began. No other agency or corporation is required to pre-fund future retiree health benefits, let alone to fully pre-fund in just 10 years. The USPS has been unable to make the payments in recent years, and it likely will not be able to meet the financial demands in the future, after the payments are re-imposed with amortization costs. In FY2013, FY2014, FY2015 and FY2016, pre-funding represented 100% of the Postal Service's losses. Excluding the pre-funding requirement, the Postal Service would have generated a \$3.2 billion operating profit since FY2013 thanks in large part to the e-commerce boom.

To adequately address the long-term problems associated with the pre-funding schedule, legislation is needed to relieve the USPS of this onerous payment schedule through a re-amortization of the remaining balance. The RHBF trust fund currently has a balance of roughly \$50 billion, more than enough to meet current and future needs beyond 2025. A re-amortization would not relieve the Postal Service of its obligation for retiree health care and pension costs. Instead, it would ensure the future of this important government agency by allowing the USPS to have financial capital to implement new products and offer new services. Some have unfairly and inaccurately characterized this approach as a bailout. However, this proposal would not use a single dime of taxpayer money.

Currently, the USPS is the only government agency or private company mandated by law to pre-fund their future retirees' health benefits using profits. Therefore, we urge you to support legislation to deal with pre-funding of RHBF. The Postal Service is an American institution of enormous importance and continuing universal service for American businesses and households should be a top priority

NRLCA Position:

NRLCA believes it is essential to provide relief for the Postal Service by reforming the onerous pre-funding requirement. By realigning the payment schedule for the pre-funding of retiree health benefits, the USPS will continue to operate efficiently, without any interruption of service.

Contact Paul Swartz at pswartz@nrlca.org if you have any questions or would like more information