*****A Postal Rate-Payer's Perspective*****

RETIREE HEALTH & PENSION BENEFIT (RHPB) REFORM

The Postal Service payments required by PAEA are not justified. They are undermining the efficacy of the Postal Service as a reliable and affordable medium, and are pushing the USPS to unnecessarily cut services and shift costs to rate payers. It is "stamp tax" on postal rate payers. Corrective Congressional legislation is urgently required.

Subjects at Issue

- The Office of Inspector General (OIG) and USPS studies have demonstrated the USPS has fully funded all the CSRS pension and retiree health benefit obligations that it has caused. Thus, the statutory payment – ostensibly to cover an unfunded retiree health benefit obligation – is a pure tax on the Postal Service and its mailers.
    - The USPS has not been properly credited for its overfunding of the CSRS pension obligation.
    - The Office of Personnel Management's (OPM) estimate of the unfunded Retiree Health obligation is overstated.
    - The amount of the overfunding of the CSRS obligation would entirely cover the OPM's overstated estimate of the unfunded Retiree Health Obligation.
    - Citizens and businesses are being grossly taxed for obligations that have already been funded (7.3% on current rates; 3 cents per stamp)
    - Without the unnecessary PAEA "tax", the USPS could be financially viable. Over the long term, revenues from mail volume can continue to cover all current operating costs, including future retiree costs caused by current operations.
- Both the USPS/Hay Group and PRC/Mercer Group studies show that the OPM's estimate of the unfunded Retiree Health obligation is excessive, due to erroneous assumptions used in calculating the present value of the future obligation (e.g., projected USPS labor hours; health benefit inflation; and rate of return on assets in the trust fund).
- OPM's methodology for the CSRS obligation is predicated on 1974 PL 93-394.
    - It forces the USPS to cover too much of the retirement costs caused by the old Post Office Department (POD).
    - Language in PL 108-18 and PAEA Sec. 802(a)(2) support the position that PAEA supersedes OPM's interpretation. (See Attached)

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Current Mechanisms for Review

- Report language in FY10 Senate Finance Appropriations Bill S.1432 (REPORT 111-43; pg. 131) directs the USPS, in coordination w/ OPM and Office of Management and Budget (OMB) to develop legislative proposals to grant appropriate relief from Retiree Health funding obligations.
    - With the recent OIG report, Pension overfunding should be accounted for in the process of determining the appropriate payment schedule.
- PAEA has a provision to review and reconsider methodologies and assumptions for both the CSRS Pension and Retiree Health benefit obligations.

Absent Corrective Reform:

- USPS is forced to consider operational/network solutions to squeeze out cost savings.
- Citizens and businesses continue to be burdened with the "Stamp Tax".
- Mailers are forced to seek out lower-cost, more reliable, and more market-friendly methods to distribute their correspondence, advertising, and packages.
- Congress will need to enact annual emergency legislation to avoid USPS financial shortfalls.
- USPS long-term financial viability is in jeopardy.

Solutions:

- Calculate the CSRS Pension Obligation using the more equitable, reasonable and financially-stable "years of service" methodology.
- Apply the CSRS overfunding to the Retiree Health Benefit Fund, which will fully fund all PAEA-mandated payments.
- Establish reasonable and acceptable terms for computing current CSRS and Retiree Health Benefit obligations and expense (fund) those obligations on a current basis.
- Any remaining currently unfunded obligation should either be forgiven, or the funding schedule should be set at a more reasonable, slower pace.

END THE STAMP TAX NOW!