Pre-Funding of Postal Retiree Health Benefits: Relief is Imperative

Pre-funding of Health Benefits at Current Levels is Financially Crippling the Postal Service
- The Postal Service pays roughly $5.5 billion annually
- Few other public or private sector entities prefund health benefits, and none at a $5.5 billion level. Without these payments over the past 5 years, USPS would have been far less in the red
- At current and foreseeable revenue levels, this payment is simply unaffordable; defaults, now having occurred twice, will continue indefinitely.

Annual Payments of $5.5 Billion are Unnecessary
- The annual payments were set so high because of legislative “scoring” needs in the Postal Accountability and Enhancement Act of 2006
- They were unmoored from prudent financial or accounting rules requirements; based on projections in 2006
- According to USPS, funding in the retiree health benefits account approaches $45 billion currently – enough to fully fund the benefits for quite a few years
- Future demands for retiree health benefits should be lower than projected because of the substantial reduction in employees in recent years
- Full pre-funding can be achieved through much more modest annual contributions
- USPS has no plans – and no money – to pay the $5.5 billion; there are no penalties, or operational impacts, from failure to pay. That money will help keep the system running.

Relief from this Payment is Essential to any Package to Save USPS
- Even if many other reforms are adopted, paying $5.5 billion annually will vitiate much of their impact. With postal revenues continuing to decline, it will become even more unaffordable.

The Coalition (C21) Supports Extended Amortization of Pre-funding
- Ensuring retiree health is not an unfunded liability is financially sound
- Extended amortization to reach full pre-funding makes sense because:
  - It would guarantee full pre-funding over time
  - The annual payments would be diminished dramatically
  - It would balance current and future needs for scarce postal funds
  - It would build on the already-deep pre-funding to date
  - It would remain affordable, even through continuing revenue declines
- Forty years, as proposed in last year’s S. 1789, would accomplish all of the foregoing goals

C21 Urges Inclusion of Forty-Year Amortization in any Relief for the Postal Service

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