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Benefit Bouncing Betty

During World War II, the Germans introduced a type of landmine that when stepped on launched about 4 feet, and exploded in mid-air, sending shrapnel in all directions. The device was known as the "Bouncing Betty." Betty's casualty field covered an area considerably larger than an ordinary landmine.



A question has begun to haunt the postal community. Did the USPS step on just such a device in its February 24 letter to Capitol Hill? As you recall, the Board of Governors proposed to reduce employee compensation by subjecting health and retirement benefits to collective bargaining. The idea is not new. PMG Potter and former Board of Governors Chair Fineman proposed it in the past. While it is doubtful that Congress would add the proposal to postal reform, the mere fact that the USPS was bouncing the idea off Congress could send shrapnel into postal reform, with collateral damage hindering enactment of relief from the CSRS escrow, and the requirement that USPS cover CSRS military retirement credit. Legally guaranteed benefits are almost sacred to postal employees. Employees may divert from their efforts to promoting constructive postal legislation to fighting against the USPS benefit proposal.

Last week's *E-NAPUS Legislative Newsletter* focused on the USPS effort to reduce FEHBP benefits. This week, retirement benefits are front and center. Chapters 83 and 84 of Title 5 of the U.S. Code establish federal employee retirement benefits. Chapter 10 of Title 39 and Title 5 authorize postal employee coverage under the retirement system. Postmasters and other career postal employees participate in one of two federal retirement systems, the Civil Service Retirement Systems (CSRS) or the Federal Employees Retirement System (FERS). Generally, CSRS covers postal employees who began their federal service prior to 1984. FERS covers those who started work in 1984 and thereafter. CSRS is an inflation-adjusted defined benefit retirement plan. Years of service and the salary levels for the three highest salaried years determine the base monthly annuity. FERS is a byproduct of the 1983 Social Security Reform Act, which brought federal and postal employees under the Social Security System. FERS has three components – full participation in Social Security, a modest defined benefit plan with a reduced COLA, and 401K-type retirement account. This account – the Thrift Savings Plan – includes a 1% of salary employer contribution, and an employee contribution combined with a limited matching employer contribution. (President Bush, in his stump-speeches supporting Social Security reform, heralds the retirement account.)

The USPS would like to negotiate with its unions over at least two components of retirement – the COLA and the retirement age. However, it could also negotiate the 1% employer contribution and the employer match. Currently, CSRS provides a full COLA, based on the consumer price index (CPI). FERS provides a reduced COLA that is generally 1 point below the CPI. In addition,

CSRS provides full retirement benefits at age 55 with 30 years of government service. FERS gradually increases the minimum retirement for which a retiree is eligible for a full FERS benefit, based upon birth year.

To implement a negotiated retirement system, the USPS would have to either withdraw from the federal retirement systems and create its own, or establish its own retirement policy within the federal retirement systems. Clearly, the Office of Personnel Management and Congress will have a lot to say about the proposal. For example, a separate postal retirement plan would have a major impact on CSRS and FERS, simply because of the size of the postal workforce. Alternatively, OPM would have to evaluate the effect of creating a separate postal benefit structure within CSRS and FERS, with a different COLA and retirement age than the federal workforce. In addition, how would OPM view the possibility of different employee groups negotiating different COLAs or retirement ages within the present retirement structure? Finally, a separate plan would alter the political dynamic of the federal retiree population, since retired postal employees are extremely vocal and active members of the retiree community. Consequently, the 400,000 member National Association of Retired Federal Employees would definitely weigh-in.

Therefore, on the issue of postal reform, the question remains. What will be the fallout from stepping on a potential landmine? Stay tuned.



Rep. Jim Nussle



Sen. Judd Gregg

Dodging the Budget Bullet – For Now

This week, the House and Senate Budget Committees passed their respective Budget Resolutions. The next stop is the floor in each body. Both bills contemplate fiscal year 2006 spending of about \$2.6 trillion, with a projected deficit of between \$362 billion and \$375 billion. The House resolution, which was drafted by House Budget Chairman Jim Nussle (R-IA) calls for “mandatory” savings of \$68.6 billion, and the Senate resolution, drafted by Senate Budget Chairman Judd Gregg (R-NH), calls for \$32 billion in such savings, over the next 5 years. Generally, mandatory spending items include such programs as Medicare, Medicaid, Social Security, student loans, and federal employee benefits. Although the Budget Resolution does not have the force of law, the measure serves as the framework for entire Congressional budget process. Congress implements mandatory cuts through a Reconciliation Bill.

Thankfully, neither the House nor Senate resolutions instruct the House Government Reform Committee, or the Senate Homeland Security and Governmental Affairs Committee to cut any programs under their respective jurisdictions. This means that for the time being postmaster health and retirement benefits are not on the budget chopping block, and the USPS will not be forced to face the congressional budget knife. Nonetheless, it is still uncertain whether the Budget Resolution creates any financial space to allow the postal authorizing committees to enact a Postal Reform bill that includes CSRS escrow relief and restoration of U.S. Treasury responsibility to pay the CSRS military retirement credit liability. In addition, the conservative House Republican Study Committee intends to flex its muscle and demand more spending cuts, which could expose federal and employee benefits, and the USPS to the budget knife. The debate should play out next week.

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