

Funding of Postal Retiree Health Benefits in the USPS Fairness Act (Section 102 of Postal Service Reform Act of 2022)

February 11, 2022

The Postal Accountability and Enhancement Act of 2006 (PAEA; [P.L. 109-435](#)) required USPS to make annual payments into the Postal Service Retiree Health Benefit Fund (RHBF) for 10 years (from FY2007 to FY2016). The PAEA also established a series of payments, starting in FY2017, to cover USPS's unfunded liability for retiree health costs through 2056. The intent of the prefunding requirement was to protect future retiree benefits, recognizing that future postal revenues might be insufficient to cover them.

This Insight provides information on the status of these payments and describes changes to the RHBF that the USPS Fairness Act (Section 102 of Postal Service Reform Act of 2022, [H.R. 3076](#)) would make. H.R. 3076 was reported out by the House Committee on Oversight and Government Reform in July 2021, and passed by the House on February 8, 2022.

USPS Prefunding Payments

In FY2007, two deposits were made into the fund per the PAEA and the Postal Civil Service Retirement System Funding Reform Act of 2003 (PCSRS; [P.L. 108-18](#)). First, the PAEA required the Office of Personnel Management (OPM) to calculate USPS's surplus contributions to the Civil Service Retirement and Disability Fund and transfer the surplus into the RHBF. OPM determined USPS's surplus was [\\$17.1 billion](#) and that amount was transferred to the RHBF. Additionally, per the PCSRS, USPS transferred [\\$2.958 billion](#) into the RHBF from an existing USPS escrow account.

USPS has made [four prefunding payments](#) to the RHBF, which total \$17.9 billion. USPS defaulted on the remaining \$33.9 billion in payments. USPS's payments to the RHFB are listed in **Table 1** below.

Table 1. Payments to the U.S. Postal Service Retiree Health Benefit Fund, FY2007–FY2016
(in billions of dollars)

Fiscal Year	Payments Made	Payments Missed
FY2007	\$5.40	\$0.00

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Fiscal Year	Payments Made	Payments Missed
FY2008	\$5.60	\$0.00
FY2009	\$1.40	\$0.00
FY2010	\$5.50	\$0.00
FY2011	\$0.00	\$0.00
FY2012	\$0.00	\$11.10
FY2013	\$0.00	\$5.60
FY2014	\$0.00	\$5.70
FY2015	\$0.00	\$5.70
FY2016	\$0.00	\$5.80

Source: USPS Annual [10-K Financial Reports](#).

Notes: FY2009 payment was reduced from \$5.4 billion to \$1.4 billion by statute ([§164 of P.L. 111-68](#)), and FY2011 payment was deferred by Congress until FY2012 ([USPS 2015 10-K](#)).

USPS's contributions to the RHBF total \$20.9 billion: \$17.9 billion in prefunding payments and \$2.98 billion transferred from its escrow account. Since FY2017, USPS has used the money in the RHBF to pay its portion of retiree health benefit premiums. Before FY2017, USPS paid its portion of retiree health benefit premium out of its general revenues. As of September 30, 2021, the balance in the fund was [\\$39.1 billion](#). Annual balances in the RHBF are shown in **Table 2** below. Balances reflect accrual of interest and expenditures from the fund for retiree health premiums.

Table 2. Postal Service Retiree Health Benefit Fund Balances, FY2007-FY2021
(in billions of dollars)

Fiscal Year	Start Balance	End Balance	Change
FY2007	\$0.0	\$25.5	\$25.5
FY2008	\$25.5	\$32.3	\$6.8
FY2009	\$32.3	\$35.1	\$2.8
FY2010	\$35.1	\$42.1	\$7.0
FY2011	\$42.1	\$43.7	\$1.6
FY2012	\$43.7	\$45.3	\$1.6
FY2013	\$45.3	\$42.3	-\$3.0
FY2014	\$42.3	\$48.5	\$6.2
FY2015	\$48.5	\$45.2	-\$3.3
FY2016	\$45.2	\$51.5	\$6.3
FY2017	\$51.5	\$49.5	-\$2.0
FY2018	\$49.5	\$47.1	-\$2.4
FY2019	\$47.1	\$44.6	-\$2.5
FY2020	\$44.6	\$41.9	-\$2.7
FY2021	\$41.9	\$39.5	-\$2.4

Source: Department of the Treasury, [Financial Reports of the United States Government, FY2007-FY2021](#).

Notes: FY2007 end balance reflects USPS's \$5.4 billion prefunding payment, \$2.98 billion from escrow, and \$17.1 billion from CSRS.

Normal Cost and Amortization Payments

USPS's prefunding payments concluded in FY2016. Under [5 U.S.C. 8909a\(d\)\(2\)\(B\)](#), starting in FY2017, USPS was required to make annual payments to cover the present net value of future retiree benefits attributable to *current* employees. This payment is referred to as "normal costs." Additionally, under [5 U.S.C. 8909a\(d\)\(2\)\(B\)](#), USPS must make annual amortization payments to pay down the unfunded liabilities for retiree health benefits.

Table 3. USPS Normal Cost and Amortization Payments for Retiree Health Benefits, FY2017-FY2021

(in billions of dollars)

Fiscal Year	Normal Costs	Amortization
FY2017	\$3.3	\$1.0
FY2018	\$3.7	\$0.8
FY2019	\$3.8	\$0.8
FY2020	\$3.9	\$0.8
FY2021	\$4.2	\$0.9
Total	\$18.9	\$4.3

Source: USPS Annual [10-K Financial Reports](#).

Since FY2017, USPS has missed all of its RHBF normal cost and amortization payments, which total \$18.9 billion and \$4.3 billion, respectively.

USPS Fairness Act

The USPS Fairness Act (Section 102 of [H.R. 3076](#)) would repeal [U.S.C. §8909a\(d\)](#), which requires USPS to make the prefunding payments shown in **Table 1** and the amortization and normal cost payments in **Table 3**. This would eliminate USPS's requirement to make \$33.9 billion in defaulted prefunding payments and \$13.2 billion in defaulted payments for RHBF normal cost and amortization payments. According to statements from USPS, repealing [5 U.S.C. §8909a\(d\)](#) would remove the defaulted payments from USPS's financial balance sheet, but it would not entitle USPS to reimbursement of payments it already made.

While the Fairness Act would repeal [5 U.S.C. §8909a\(d\)](#), which governs USPS contributions into the RHBF, it would not repeal [5 U.S.C. §8906](#), which governs *payments from* the RHBF. Under [5 U.S.C. §8906\(g\)\(2\)\(A\)](#), the fund may be used to pay USPS's contributions for retiree health benefits (or for a survivor of a retiree's health benefits), but not premiums for current USPS employees. The Fairness Act would allow USPS to continue using the RHBF to pay eligible retiree health premiums until the fund is depleted. According to [OPM estimates](#), the RHBF will be depleted by FY2030 unless USPS makes future payments into the fund.

According to the [Congressional Budget Office](#), since USPS is not expected to make any further prefunding, normal cost, or amortization payments, repealing [5 U.S.C. §8909a\(d\)](#) is not expected to have any impact on spending.

Section 101 of [H.R. 3076](#) includes additional reforms intended to reduce USPS's future retiree health liability by requiring eligible postal retirees to enroll in Medicare as part of their health coverage. Additionally, [H.R. 3076](#) would establish a new mechanism for calculating USPS's future payments into the RHBF, based on the amount (if any) that its contributions for retiree health premiums paid from the RHBF exceeded the estimated net claims costs of enrollees.

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