

# Funding of Postal Retiree Health Benefits in the Postal Service Reform Act of 2022 (P.L. 117-108)

May 19, 2022

Since FY2007, the U.S. Postal Service (USPS) has experienced annual net losses averaging \$6.2 billion due in large part to retiree health prefunding payments that were required under the Postal Accountability and Enhancement Act of 2006 (PAEA; P.L. 109-435). The Postal Service Reform Act of 2022 (PSRA; P.L. 117-108) repeals those prefunding payments and eliminates USPS's defaulted payments from its financial balance sheet. Additionally, the PSRA's [changes to postal health benefits](#) are expected to reduce USPS's share of premiums for its employees and retirees by [\\$5.711 billion](#) over 10 years.

The PSRA was passed by the House on February 8, 2022, passed by the Senate on March 8, 2022, and signed by President Biden on April 6, 2022. During the signing ceremony, [President Biden stated](#) that repealing the prefunding mandate will set USPS on a “more sustainable and stable financial footing.”

## Postal Service Reform Act of 2022

The Postal Accountability and Enhancement Act of 2006 required USPS to make annual prefunding payments into the Postal Service Retiree Health Benefit Fund (RHBF) for 10 years from FY2007 to FY2016 (shown in **Table 1**). The PAEA also established a series of payments, starting in FY2017, to cover USPS's unfunded liability for retiree health costs through 2056 (shown in **Table 2**). The intent of the prefunding requirement was to protect future retiree benefits, recognizing that future postal revenues might be insufficient to cover them.

Section 102 of the PSRA repealed [Title 5, Section 8909a\(d\), of the U.S. Code](#). This eliminates \$33.9 billion in defaulted prefunding payments (**Table 1**) and nearly \$25.8 billion in defaulted payments to liquidate USPS's unfunded retiree health liabilities (**Table 2**) through FY2022, Quarter 2. According to USPS officials, repealing [Section 8909a\(d\)](#) removes the defaulted payments from its financial statements, but it does not entitle USPS to reimbursement of payments already made. USPS estimates that repeal of the prefunding requirement and the cancellation of its defaulted payments will be reflected as a [\\$59.6 billion](#) decrease in retiree health liability and an increase of \$59.6 billion in net income on its FY2022, Quarter 3, financial statement.

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While the PSRA repeals [Section 8909a\(d\)](#), which governs USPS contributions into the RHBFB, it does not repeal [Section 8906](#), which governs *payments from* the RHBFB. The PSRA allows USPS to continue using the RHBFB to pay eligible retiree health premiums until the fund is depleted. According to Office of Personnel Management ([OPM](#)) *estimates*, the RHBFB will be depleted by FY2030 unless USPS makes future payments into the fund.

## USPS Prefunding Payments

Since FY2017, USPS has made [four prefunding payments](#) to the RHBFB, totaling \$17.9 billion. USPS made three of its annual payments in full—FY2007, FY2008, and FY2010. Congress reduced the [FY2009 payment](#) owed from \$5.4 billion to \$1.4 billion, which USPS paid. USPS's prefunding payments to the RHBFB are listed in [Table 1](#).

**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
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
<b>Totals</b>	<b>\$17.90</b>	<b>\$33.90</b>

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

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

## Normal Cost and Amortization Payments

USPS's prefunding payments concluded in FY2016. [Starting in FY2017](#), USPS was required to make annual payments to cover future retiree benefits attributable to *current* employees. (i.e., “normal costs”) and to pay down the unfunded liabilities for retiree health benefits (i.e., “amortization payments”). USPS has missed all of its RHBFB normal cost and amortization payments, which total, respectively, \$18.9 billion and \$4.3 billion, through FY2021.

**Table 2. USPS Normal Cost and Amortization Payments for Retiree Health Benefits, FY2017-FY2022**  
(in Billions of Dollars)

Fiscal Year	Normal Costs	Amortization
FY2017	\$3.30	\$0.96

Fiscal Year	Normal Costs	Amortization
FY2018	\$3.70	\$0.82
FY2019	\$3.78	\$0.79
FY2020	\$3.85	\$0.81
FY2021	\$4.20	\$0.91
FY2022, through March 31	\$2.15	\$0.50
<b>Total</b>	<b>\$20.98</b>	<b>\$4.78</b>

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

## Retiree Health Benefit Fund Balance

Annual balances in the RHBF are shown in **Table 3**. Balances reflect accrual of interest and expenditures from the fund for retiree health premiums. The FY2017 ending balance also reflects two initial deposits were made into the RHBF in FY2017. The PAEA required OPM to calculate USPS's surplus contributions to the Civil Service Retirement and Disability Fund and transfer the surplus into the RHBF. OPM determined that USPS's surplus was [\\$17.1 billion](#), and that amount was transferred to the RHBF. Additionally, USPS transferred [\\$2.98 billion](#) from an existing escrow account for postal retiree benefits into the RHBF.

**Table 3. 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: The FY2007 end balance reflects USPS's \$5.4 billion prefunding payment, \$2.98 billion from escrow, and \$17.1 billion from CSRS.

Before FY2017, USPS paid its portion of retiree health benefit premium out of its general revenues. Since FY2017, USPS has used the money in the RHBF to pay its portion of retiree health benefit premiums. As of September 30, 2021, the balance in the fund was [\\$39.1 billion](#).

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