

UPDATE

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Trump Budget Would Reduce Postal Paychecks, Retirement Benefits

The Fiscal Year 2018 budget sent to Congress by President Trump earlier this week proposes legislative changes that would impose dramatic cuts in federal retirement benefits for current and future retirees and potentially erode the current size of postal employee paychecks. It also would provide a modest set of reforms to the Postal Service, but rely chiefly on employee compensation cuts to restore financial solvency.

Cuts in Retirement Benefits, Increases in Employee Contributions

For all postal and federal employees and retirees, the Trump budget proposals would:

Use a high-5 average salary instead of a high-3 in the computation of new Federal Employee Retirement System (FERS) annuities;

Eliminate the “Social Security supplement” for all future FERS retirees. (The Social Security supplement covers the gap for FERS workers who retire before they qualify for Social Security benefits at age 62.);

Eliminate the Cost of Living Adjustment (COLA) for all new FERS retirees and reduce the COLA for Civil Service Retirement System (CSRS) retirees by 0.5 percent; and

Equalize the employee and government employer share of the FERS

contribution rate to a 50/50 split through a phased-in approach spanning six years.

The Trump budget proposal does not cut Social Security or Medicare benefits, fulfilling the President's campaign promise not to hurt those retirement programs.

Postal Service “Reforms”

In addition, the Trump budget proposes a series of “reforms” for the Postal Service, many that coincide with the key elements of H.R. 756, the foremost postal reform measure pending in Congress, but without reliance on the integration of Medicare health benefits to achieve savings.

Instead, the Trump budget seeks savings through proposed service reductions and greater flexibility in USPS rate-setting authority. Overall, the Trump budget claims to achieve \$46 billion in Postal Service and general treasury savings over the next 10 years. More than half of that amount (\$27 billion) would arise through hikes in postal employee contributions toward pension and health benefits, as well as cuts in retiree pension benefits themselves, consistent with government-wide proposals for all federal employees.

For postal employees and USPS, the Trump budget specifically proposes:

The same cuts in retirement benefits, COLAS, and increases in employee contributions for USPS employees, as proposed for civil servants. This would save USPS \$33 billion over 10 years.

Increasing USPS employees' contributions toward their health and life insurance, achieving \$1 billion in savings.

Increasing USPS innovation collaboration with state and local governments;

Reducing door delivery “where appropriate”;

Changing the BOG governance structure;

Use of postal-specific assumptions about the demographics of the USPS workforce to prevent possible overpayment into the agency's Federal Employees Retirement System account; and

More USPS flexibility in setting its prices.

Long, Complicated Process Lies Ahead

Some Congressional lawmakers on both sides of the aisle characterized the Trump budget as "dead on arrival" and pointed to Republican intra-party differences on Federal spending that are likely to complicate the budget picture and the final outcome.

Observers also expressed concern that Congressionally-imposed budget reductions in "mandatory" government spending, including cuts in federal retirement benefits, could occur through the legislative "budget reconciliation" process, requiring only a bare-majority of approval in both Congressional chambers.

"One thing is clear," NAPS President Brian Wagner said. "Throughout the months ahead, NAPS will resist attempts by Congress to adopt measures proposed by the Trump budget that unfairly target the Postal Service, its employees or its retirees."

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