



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

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# HIGHLIGHTS

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June 18, 2012

## Pension and Retiree Health Care Funding Levels

Report Number FT-MA-12-002

### **IMPACT ON**

The U.S. Postal Service's compliance with the Postal Accountability and Enhancement Act of 2006 for prefunding retiree health care benefits.

### **WHY THE OIG DID THE AUDIT:**

Our objective was to explore the progress on funding pension and retiree health care benefits as of September 30, 2011.

### **WHAT THE OIG FOUND:**

The Postal Service has funded its pension benefit obligations at nearly 105 percent and is currently overfunded by \$13.1 billion. The law does not allow the Office of Personnel Management to alter the contribution formula for the Postal Service, nor can it refund current or future surpluses. Although the Postal Service continues to implement changes to align costs with revenue, action is needed now to use the current and future surpluses to remain a viable business.

Further, the Postal Service is required to fully fund its future retiree health care benefit obligations. Currently, the Postal Service has funded nearly 50 percent of that obligation. As an alternative to the annual prefunding payments, which has been difficult, we estimate the Postal Service's fair market value of real property totals \$85 billion

and would be enough to cover the remaining unfunded obligation of \$46 billion. Recognition of these assets that could be applied to the liability, if ever needed, could prevent the prefunding payments from increasing Postal Service debt.

### **WHAT THE OIG RECOMMENDED:**

We recommended that management pursue legislative action to refund current and future pension surpluses to the Postal Service.

### **WHAT MANAGEMENT SAID:**

Although management did not agree or disagree with the monetary impact, they agreed with the recommendation and will continue their support of pending legislation that would address the Federal Employees Retirement System surplus. They will also evaluate all pension assets and liabilities prior to the start of the new session of Congress in January 2013, and will pursue legislation as appropriate.

### **AUDITORS' COMMENT(S):**

The OIG considers management's comments responsive to the recommendation and corrective actions should resolve the issues identified in the report.