Policy Options for Eliminating or Reducing the Prefunding Burden

Options	Description	Impact on the Postal Service and its customers
Status Quo: Current Law	Continue to require USPS to prefund retiree health, with no relief or ability to invest the PSRHBF the way private companies would.	USPS financial crisis continues: No ability to invest in its networks or replace its vehicle fleet; declining cash reserves; unneeded, misguided service cuts; steep postage rate hikes likely from 10-year PRC review; and an expedited depletion of the Retiree Health Fund (PSRHBF).
Repeal the mandate	Return to pay-as-you-go payment of retiree health premiums, as most large companies do -- after using the PSRHBF to pay premiums for the next 10-15 years.	Save up to $4.4 billion annually; renewed investment in networks and a new vehicle fleet; improved service quality; stability to allow reasonable rate changes through the PRC review. USPS treatement of retiree health liability would match private sector practice.
Reduce the burden of prefunding	Reduce the funding target from 'total projected liability' to the 'actual vested liability' and investing the assets of the PSRHBF in a long-term diversified portolio of private securities, including equities and both corporate and government bonds (purchased via index funds).	The vested liability would lower the liability by approximately $40 billion. Investing the PSRHBF sensibly would initially raise fund returns by more than $1.25 billion annually. Together, these reforms would reduce or eliminate the PSRHBF's unfunded liability and allow for reasonable rate changes through the PRC review, higher investment and improved service quality.
Medicare integration	Fully or prospectively integrate postal employee health insurance with Medicare Parts A and B, and take advantage of private sector best practice with the Medicare presciprtion drug law.	Full integration with Medicare as provided by H.R. 756 (with S. 2629's additional exemptions and provisions for hardships) would nearly eliminate PSRHBF's unfunded liability. A prospective reform applying only to active postal employees under 55 would reduce the unfunded liability by more than half. Both reforms would allow for reasonable rate changes through the PRC review, higher investment and better service quality.
Adopt fair pension policy	Implement the recommendations of the 2010 PRC report on pension allocation policies conducted by the Segal Company, which called for the adoption of private sector accounting and actuarial standards for the annual valuation and allocation of liabilities with respect to the postal account in the Civil Service Retirement System.	This would add $80 billion to the postal CSRS account; eliminate the current $26.3 billion unfunded liability in the account; eliminate more than 85% of the current unfunded liability of the PSRHBF; save the USPS several billion in annual amortization payments for CSRS and the PSRHBF; allow for reasonable rate changes through the PRC review, higher investment and better quality.