

THE BUDGET FOR FISCAL YEAR 2013

Provide Postal Service Financial Relief and Undertake Reform. The Administration recognizes the enormous value of the U.S. Postal Service (USPS) to the Nation's commerce and communications, as well as the urgent need for reform to ensure its future viability. USPS faces long-term, structural operating challenges that have been exacerbated by the precipitous drop in mail volume in the last few years due to the economic crisis and the continuing shift toward electronic communication. Bold action is needed to ensure that USPS can continue to operate in the short-run and achieve viability in the long-run. To that end, the President is proposing a comprehensive reform package that would: 1) restructure Retiree Health Benefit pre-funding in order to accelerate moving these Postal payments to an accruing cost basis and reduce near-year Postal payments; 2) provide USPS with a refund over two years of the \$10.9 billion positive credit balance in Postal contributions to the FERS program; 3) reduce USPS operating costs by giving USPS authority, which it has said it will exercise, to reduce mail delivery from six days to five days starting in 2013; 4) allow USPS to increase collaboration with State and local governments; and 5) give USPS the ability to better align the costs of postage with the costs of mail delivery while still operating within the current price cap, and permit USPS to seek the balance of the modest one-time increase in postage rates it proposed in 2010. These reforms would provide USPS with over \$25 billion in cash relief over the next two years and in total would produce savings of \$25 billion over 11 years.

Reform Federal Civilian Worker Retirement. In order to make reasonable changes to Federal worker retirement, while maintaining the ability to attract and retain highly qualified individuals, the Administration proposes to increase the employee contribution toward accruing retirement costs by 1.2 percent over three years beginning in 2013. While Federal agency contributions for currently accruing costs of employee pensions would decline, these Federal employers would pay an additional amount toward unfunded liabilities of the retirement system that would leave total agency contributions unchanged. Under the proposed plan, the amount of the employee pension would remain unchanged. We estimate this proposal will save \$27 billion over 10 years. In addition, the Administration is proposing to eliminate the FERS Annuity Supplement for new employees. Overall, these changes are not expected to have a negative impact on the Administration's ability to manage its human resources, nor inhibit the Government's ability to serve the American people.