# Foreign Posts’ Retirement Asset Investments

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# The U.S. Postal Service participates in two government-wide pension plans that are administered by the U.S. Office of Personnel Management (OPM): the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). The assets of these plans are held in one trust fund, the Civil Service Retirement and Disability Fund, and are managed by the OPM and U.S. Department of the Treasury. These plans provide defined benefits and the employer is responsible for ensuring enough assets to pay retirees. In contrast to CSRS and FERS, the Thrift Savings Plan is a contribution-based plan, and employees rely on the growth of contributions to their accounts for retirement income. For FERS employees who participate in the Thrift Savings Plan, the Postal Service contributes a percentage of basic pay and matches voluntary employee contributions up to a limit.

# In addition to participation in pension programs, eligible retirees may participate in the OPM-administered Federal Employees Health Benefits Program. The Postal Service is responsible for the employer’s share of health benefit premium costs for its retirees and had set aside $49.8 billion in a fund at the end of fiscal year 2017.

# Investments of Postal Service retirement assets are restricted by law to obligations of the U.S. government. Therefore, the OPM and Treasury are prohibited from diversifying the Postal Service’s CSRS and FERS pension assets totaling $278.9 billion among different investment allocations and from otherwise using more sophisticated management practices. Although these assets earn interest and do not change in value, they risk producing low returns at a time when Postal Service retirement assets are insufficient to cover its retirement liabilities.

# For this report, we reviewed the investment practices for pension funds of the Postal Service and 11 foreign posts. The 11 foreign posts do not set aside assets to fund retiree health benefits because their governments offer national healthcare services. Therefore, we do not discuss the investment of retiree health benefit assets in this report. However, the information gleaned from our focus on pension assets could be relevant in managing the retiree health benefits fund.

# The current pension plans of the foreign posts exhibit very different features, from the number of employees, eligible individuals, and retirees covered to the structures of plans offered. Regardless of these differences, we noted the common element across the 11 foreign posts is diversification of pension investments. Eight of the posts invest in three or four asset classes, and the remaining posts invest in two asset classes.

# Based on available data, we compared the annual and long-term investment returns on Postal Service pension assets with those of four foreign posts for the years 2004 through 2016 or 2017. During this period, the returns on Postal Service pension assets were substantially less volatile than those for the four foreign posts. For example, CSRS and FERS returns fluctuated between 2.9 percent and 6.1 percent annually while Canada Post’s returns fluctuated between -19.3 percent and 16.9 percent annually. Several factors, though, make robust comparisons of posts’ long-term investment results challenging. These include the availability of data, returns in capital markets in host countries, investment benchmarks, the importance of returns in funding a plan, and risk acceptance.

# The foreign posts demonstrated several common practices in pension asset investment. We found the most common practice to be diversification of pension assets, including domestic and foreign equities and bonds, with some posts investing further in private equities, real estate, or other assets. Other common practices included having defined benefit and defined contribution plans, use of specific benchmarks, and active-management of pension investments.

# Broader diversification in Postal Service retirement investments would require legislation that would, in turn, require successful resolution of certain public policy issues. Implementation of asset diversification would also require sound governance, including appropriate focus on benchmark selections and investment management fees.

[**Read full report**](https://www.uspsoig.gov/sites/default/files/document-library-files/2018/FT-WP-19-001.pdf)