



## POSTAL NEWS

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### U.S. Postal Service Institutes Cash Conservation Plan *Payment to FERS suspended*

WASHINGTON — The U.S. Postal Service has informed the Office of Personnel Management (OPM) of its intention to suspend its employer's contributions for the defined benefit portion of the Federal Employees Retirement System (FERS) to conserve cash and preserve liquidity. The Postal Service has a FERS account surplus valued at \$6.9 billion.

"We will continue to transmit to OPM employees' contributions to FERS and also will continue to transmit employer automatic and matching contributions and employee contributions to the Thrift Savings Plan," said Anthony Vegliante, chief human resources officer and executive vice president.

The Postal Service pays about \$115 million every other week to OPM for the FERS annuity. Suspension of payments, effective June 24, will free about \$800 million in the current fiscal year.

The Postal Service continues to cut costs significantly with initiatives to reduce the size of its labor force, the number of mail processing facilities and administrative overhead. Over the last four fiscal years, the Postal Service has reduced its size by 110,000 career positions and saved \$12 billion in costs.

The Postal Service also is generating new revenue by opening cost-effective new retail locations in places where people already shop, including grocery stores, drug stores and office supply stores, and introducing other new product and pricing initiatives.

Despite significant cost reductions in areas within its control, and even with this emergency action, the Postal Service needs Congress to enact legislation that would do the following to return the Postal Service to financial stability:

- Eliminate the current mandates requiring retiree health benefit pre-payments.
- Allow the Postal Service to access Civil Service Retirement System and FERS overpayments.
- Give the Postal Service the authority to determine the frequency of mail delivery.

The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 150 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, [www.usps.com](http://www.usps.com), the Postal Service has annual revenue of more than \$67 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 29th in the 2010 Fortune 500. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency six consecutive years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

## **Mandatory Stand-Up Talk**

June 22, 2011

### **USPS TO INSTITUTE CASH CONSERVATION PLAN**

The Postal Service is facing its gravest financial crisis in history. We've made great strides to cut costs and generate revenue, but unless we see some legislative reform from Congress, we face the very real possibility of running out of cash by October — and facing a national mail shutdown as a result.

To reduce the chance of that happening, the Board of Governors announced today that it's implementing an emergency cash conservation measure and will suspend the Postal Service's contributions to the Federal Employees' Retirement System (FERS), effective June 24, 2011.

The Postal Service pays about \$115 million every other week to the Office of Personnel Management (OPM) for FERS annuities. Suspension of payments would free about \$800 million this fiscal year.

What does this suspension of payments mean to employees?

This will have no effect on employees. There are three components to FERS — an annuity, Social Security and the Thrift Savings Plan (TSP). USPS and employees contribute to all three. The Postal Service will continue to transmit employees' contributions to all three. And USPS will continue to fund its Social Security obligations and to transmit its automatic and matching employee TSP contributions for FERS employees.

The Postal Service *will* suspend transmitting to OPM the portion that it contributes toward the annuity that FERS retirees receive.

The Postal Service believes it has satisfied its current funding obligations because of a \$6.9 billion surplus it has paid into FERS.

For more information — including a list of Frequently Asked Questions — go to Blue or LifeBlue.



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## FREQUENTLY ASKED QUESTIONS FEDERAL EMPLOYEES RETIREMENT SYSTEM (FERS)

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### BACKGROUND:

Due to a pending liquidity crisis in which the Postal Service could run out of cash as early as October 2011, the Postal Service Board of Governors has decided to suspend the Postal Service's employer contributions for Federal Employees Retirement System (FERS) annuities, effective June 24, 2011. The Postal Service will continue to withhold employees' contributions to FERS and will transmit those amounts to the Office of Personnel Management (OPM). The Postal Service will continue to transmit the employer automatic and matching contributions and employee contributions to the Thrift Savings Plan (TSP). The Postal Service has a FERS account surplus valued at \$6.9 billion.

FERS employees have three parts to their retirement benefit — the FERS annuity, the Thrift Savings Plan, and Social Security. The Postal Service and employees make contributions to FERS, TSP, and Social Security. The Board is only suspending employer payments to the FERS annuity. All other payments — employee contributions to FERS, and employer and employee contributions to TSP and Social Security — will continue.

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### GENERAL Q&A

**Q: Why did the Board take this action?**

Despite significant and ongoing cost cutting actions and progress on new revenue generation, the Postal Service is in dire financial straits and is in danger of running out of cash as early as this October. The Board action was based on a sound business judgment that prioritizes our competing obligations in a rational manner to conserve as much cash as possible so we can keep delivering the mail. The Board's decision allows the Postal Service to continue making payroll and to pay suppliers who support the Postal Service in its mission of collecting, sorting, transporting and delivering mail.

**Q: What is OPM's response to this decision?**

USPS and OPM have agreed to submit for review to the Office of Legal Counsel (OLC) at the Department of Justice the impact of the Postal Service action. Regardless of the outcome of the Office of Legal Counsel review, the Postal Service believes there will be no impact on employees.

**Q: How much does the Postal Service pay to OPM for the FERS program?**

USPS pays about \$115 million to OPM every other week for the FERS annuity.

**Q: How much will be saved by not making these payments?**

It's estimated that suspending payments to FERS will result in a savings of approximately \$800 million this fiscal year.

**Q: What percentage of the postal workforce falls under the FERS program?**

84.5 percent of career employees fall under FERS and 15.5 percent fall under the Civil Service Retirement System (CSRS).

**Q: How does this decision affect employees in the CSRS system?**

CSRS employees and retirees are not affected in any way.

**Q. Are current FERS employees or retirees affected?**

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The action will have no impact on current retirees. For current employees, the Postal Service will continue to transmit to OPM employees' contributions to FERS and also will continue to transmit employer automatic and matching contributions and employee contributions to the Thrift Savings Plan. Regardless of the outcome of the Office of Legal Counsel decision, the Postal Service believes the decision will not have any impact on employees.

**Q: Despite the financial crisis, doesn't the Postal Service feel obligated to make these payments?**

The Postal Service has overpaid FERS by \$6.9 billion. Congress has not modified our payments and the surplus is effectively prepayment on behalf of FERS employees who are nearing retirement.

**Q: Is that action a permanent solution to returning the Postal Service to sound financial footing?**

No. Legislative action, such as the provisions contained in Sen. Tom Carper's bill (S.1010, introduced May 17), is desperately needed to return the Postal Service to profitability.

**Q: Can employees continue to contribute to the Thrift Savings Plan (TSP) and will those funds be matched by USPS?**

Yes, and yes. Employees can continue to contribute to TSP without any interruption and the Postal Service will continue to make automatic and matching contributions up to 5 percent of the employee's basic pay and to pay these amounts into the TSP.

**Q: Are you asking for a "bailout"?**

Absolutely not. The Postal Service receives no tax dollars to support its operations. The billions of dollars we have overpaid come at the expense of those who use postal products and services, not the federal government.

**Q: What specifically does the Postal Service want Congress to do?**

The Postal Service needs Congress to pass legislation that does the following:

- Eliminates the current mandates requiring retiree health benefit pre-payments.
- Allows the Postal Service to access Civil Service Retirement System and FERS overpayments.
- Gives the Postal Service the authority to determine the frequency of mail delivery. The plan to end mail delivery to street addresses on Saturdays would save the Postal Service \$3.1 billion a year.

**Q: What actions is the Postal Service taking to cut costs and increase revenue?**

Over the last four fiscal years, the Postal Service has reduced its size by 110,000 career positions and saved \$12 billion in costs. We are aggressively consolidating our processing network and streamlining the number of postal-operated retail locations while opening cost-effective new retail locations in places where people already shop, including grocery stores, drug stores and office supply stores.

**Q: How will you address these non-payments in your financial reports?**

We will discuss this action in our next quarterly financial report.

**Q: Is this action really needed? Was this decision made just to gain additional attention to your financial situation?**

We have to do this to preserve cash. If we don't act now, we could run out of cash as early as



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this October. By conserving cash now, we avoid putting in jeopardy our mission of delivering the nation's mail.

**Q: Isn't there a danger that this action will anger those in Congress that were planning to vote in favor of the legislation you say is needed?**

We are actively communicating the need for this action with members in the House and Senate.

**Q: Couldn't you continue the FERS payments if you do more cost-cutting and find new ways to boost revenue?**

We have aggressively cut costs in response to economic conditions and customer trends. Over the last four fiscal years, the Postal Service has reduced its size by 110,000 career positions and saved \$12 billion in costs.

We have responded to volume declines by working with our corporate partners, improving the customer experience and creating innovative products to increase demand.

Despite all these efforts — which are continuing — we are in a serious financial predicament and could run out of cash in October if we make these FERS payments.

**Q: Many people aren't as reliant on the Postal Service as they used to be because of email, online banking and other electronic forms of communication. Why should they care about this issue?**

The Postal Service is at the center of the estimated \$1 trillion mailing industry, employing 7 million Americans. We need to do everything we can to make sure we can continue to deliver mail. The cost of potential delivery disruptions to the economy and the country cannot be overestimated. Even the threat of such a disruption would have a significant impact on America's business.

**Q: Surveys show the Postal Service is the most trusted government agency. Are you worried Americans won't view you as trustworthy because by not making these payments you are violating the law?**

This action has no effect on the services we provide to the public, does not affect mail operations or delivery and has no impact on our current employees and retirees. Americans trust us to do the responsible thing. Making sure we have the cash needed to fulfill our mission of delivering the mail is the trustworthy thing to do.

**Q: Can the Postal Service really expect to survive?**

With the right legislation, the Postal Service can return to profitability. If given the flexibility to do so, the Postal Service can continue to serve the American public very effectively and continue to sustain and propel American commerce. If it were not for the mandated prefunding of retiree health benefits the Postal Service would have turned a profit totaling \$1 billion from 2007 to 2010.

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### Employee-Specific Q&A

**Q: How does the decision affect retirement coverage for FERS employees?**

1. The amount an employee withholds from their paycheck that goes into their Thrift Savings Plan (TSP). **Effect: None**
2. The automatic and matching contributions by the Postal Service to the employee's TSP. **Effect: None**

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3. Postal Service and employee contributions to Social Security. **Effect: None**

4. Employee retirement contributions to FERS. **Effect: None**

5. Postal Service retirement contributions to fund the FERS annuity employees receive upon retirement. **Effect: The Postal Service is temporarily suspending payment of this part, which has an account surplus valued at \$6.9 billion.**

**Q: I plan to retire later this year. How will this decision affect me?**

Regardless of the outcome of the Office of Legal Counsel decision, the Postal Service believes the decision will not have any impact on current employees.

**Q: I retired this year as part of the Voluntary Early Retirement (VER) offer. How will this decision affect me?**

This action will have no impact on current retirees, including those who retired as part of this year's VER.

**Q: What happens to the automatic and matching contributions the Postal Service pays into my Thrift Savings Plan?**

Employees can continue to contribute to TSP and the Postal Service will continue to make automatic and matching TSP contributions of up to 5 percent of the employee's basic pay.

**Q: What effect will this have on current union contracts?**

The leaders of all postal unions have been notified about this decision. The decision has no impact on the current contracts.

**Q: What percentage of the postal workforce falls under the FERS program?**

84.5% of career employees fall under FERS and 15.5% fall under the Civil Service Retirement System (CSRS).

**Q: How does this decision affect employees in the CSRS system?**

CSRS employees and retirees are not affected in any way.