

## FACT SHEET

# FERS PAYMENT SUSPENSION

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### MESSAGES:

- The Postal Service faces a dire financial situation which threatens a shutdown in the nation's mail service, affecting the entire mailing industry — which amounts to 7 percent of the nation's Gross Domestic Product and 7 million jobs — and millions of customers who use the Postal Service to mail money, goods and communications.
  - The Postal Service could run out of cash as early as October 2011.
  - The Postal Service Board of Governors has decided to take a variety of emergency cash conservation measures so there is sufficient cash available to pay employees and suppliers in order to continue to deliver the mail.
  - 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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### TALKING POINTS:

- The Postal Service has informed the Office of Personnel Management (OPM) of its intention to suspend employer contributions for the defined benefit portion of the Federal Employees Retirement System (FERS), effective June 24, 2011, as part of its cash conservation and liquidity preservation plan.
- To date, the Postal Service has paid a FERS account surplus of \$6.9 billion.
- The Postal Service pays about \$115 million every other week to OPM for the FERS annuity. Suspension of the payment will free about \$800 million in the current fiscal year (through Sept. 30, 2011).
- There are three components to FERS: a defined benefit, the Thrift Savings Plan and Social Security. There are employer and employee contributions to all three components. The only portion being suspended is the amount the Postal Service contributes toward the defined benefit that FERS retirees receive.
- Because the Postal Service has a FERS surplus of \$6.9 billion, the Postal Service believes it already has satisfied its current funding obligations.
- The Postal Service and OPM have agreed to ask the Office of Legal Counsel (OLC) at the Department of Justice to review the potential impact of this decision. Regardless of the outcome of the Office of Legal Counsel review, the Postal Service believes there will be no impact on employees.
- This emergency action to preserve liquidity is not a permanent solution to solve the Postal Service's financial challenges in either the short-term or the long-term. In the short term, the Postal Service is continuing to cut costs wherever possible, and is pursuing a number of steps to address its financial challenges, including a number of new product and pricing initiatives to generate revenue.
- To return to financial stability, the Postal Service needs Congress to pass legislation that will:
  - ▶ 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.
- Despite its current challenges, the Postal Service continues to evolve to meet the changing needs of its customers and continues to provide a vital service the American people have come to expect and depend upon.