
FERS ACTION - FREQUENTLY ASKED QUESTIONS / TALKING POINTS

BACKGROUND:

Due to a pending liquidity crisis in which the Postal Service could run out of cash as early as February 2027, the Postal Service Board of Governors has decided to suspend the Postal Service's employer contributions for Federal Employees Retirement System (FERS) annuities, effective April 10.

The Postal Service will continue to withhold employees' contributions to FERS and will transmit those amounts to the Office of Personnel Management (OPM). Additionally, the Postal Service will continue to transmit the employer automatic and matching contributions and employee contributions to the Thrift Savings Plan (TSP).

There will not be any immediate detrimental impact to our current or future retirees if normal FERS cost payments are temporarily withheld. The risk to the Postal Service and the American public from insufficient liquidity for postal operations dramatically outweighs any longer-term risk to the pension funds from not making the currently due payments. It must be noted that the Postal Service pension systems remain much better funded than other agencies.

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.

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 February 2027. 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: How much does the Postal Service pay to OPM for the FERS program?

USPS pays about \$200 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 \$2.5 billion this fiscal year.

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

99 percent of career employees fall under FERS and 1 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?

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. A prior decision from the Office of Legal Counsel confirms that employees will continue to receive service credit towards their FERS annuity during the period of the suspension.

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

No. Legislative action is desperately needed to return the Postal Service to profitability. Despite cost reductions in areas within its control, and even with this emergency action, the Postal Service needs Congress to enact common sense reforms to help return it to financial stability:

- Increase the Postal Service Borrowing Authority from \$15 billion to \$34.5 billion
- Reform Civil Service Retirement System (CSRS) Liability allocation methodology
- Provide flexibility in CSRS and FERS Retirement Funds Investment
- Enable Workers Compensation Reform

The FERS action we have just taken will buy some additional time for Congress to act, but we will need action this year to avoid additional measures which may be detrimental to our business.

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 five percent of the employee's basic pay and to pay these amounts into the TSP.

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

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

While our losses continue to be driven by mandates and factors outside of our control, the Postal Service has in recent years undertaken an unprecedented transformation of our network and operating practices to reduce costs. The resulting cost reductions are significant. During the past four years we have reduced total work hours by approximately 56 million hours and reduced our overall complement by 28,675 employees. We have also achieved significant reductions to transportation expenses, including a 46 percent decline in air transportation costs and an 18 percent decline in overall network transportation costs since FY 2022. Cumulatively, our network and transportation reforms have generated approximately \$1 billion in savings through the end of FY 2025. These savings reflect deliberate actions and sustainable improvements by the Postal Service to strengthen our financial position, all while building a modern, efficient, and reliable network that enables us to provide more consistent, reliable service for the American people. We will continue to aggressively reduce costs wherever we can as we leverage the opportunities presented by our transformed network and refined service standards.

We will also continue to pursue opportunities presented by our improved network to grow revenue, particularly in our shipping business.

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

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. While our losses continue to be driven by mandates and factors outside of our control, the Postal Service has in recent years undertaken an unprecedented transformation of our network and operating practices to reduce costs. The resulting cost reductions are significant. During the past four years we have reduced total work hours by approximately 56 million hours and reduced our overall complement by 28,675 employees. We have also achieved significant reductions to transportation expenses, including a 46 percent decline in air transportation costs and an 18 percent decline in overall network transportation costs since FY 2022. Cumulatively, our

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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 \$1.9 trillion mailing industry, employing 7.9 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: 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
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.

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

The decision will not have any impact on current employees.

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 five 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.

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