

108TH CONGRESS  
1ST SESSION

# H. R. 735

To amend chapter 83 of title 5, United States Code, to reform the funding of benefits under the Civil Service Retirement System for employees of the United States Postal Service, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 12, 2003

Mr. MCHUGH (for himself, Mr. WAXMAN, Mr. TOM DAVIS of Virginia, and Mr. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Government Reform

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## A BILL

To amend chapter 83 of title 5, United States Code, to reform the funding of benefits under the Civil Service Retirement System for employees of the United States Postal Service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Postal Civil Service  
5 Retirement System Funding Reform Act of 2003”.

6 **SEC. 2. CIVIL SERVICE RETIREMENT SYSTEM.**

7 (a) DEFINITIONS.—Section 8331 of title 5, United  
8 States Code, is amended—

1 (1) in paragraph (17)—

2 (A) by striking “‘normal cost’” and in-  
3 serting “‘normal-cost percentage’”; and

4 (B) by inserting “and standards (using dy-  
5 namic assumptions)” after “practice”;

6 (2) by amending paragraph (18) to read as fol-  
7 lows:

8 “(18) ‘Fund balance’ means the current net as-  
9 sets of the Fund available for payment of benefits,  
10 as determined by the Office in accordance with ap-  
11 propriate accounting standards, but does not include  
12 any amount attributable to—

13 “(A) the Federal Employees’ Retirement  
14 System; or

15 “(B) contributions made under the Federal  
16 Employees’ Retirement Contribution Temporary  
17 Adjustment Act of 1983 by or on behalf of any  
18 individual who became subject to the Federal  
19 Employees’ Retirement System;”;

20 (3) by striking “and” at the end of paragraph  
21 (27), by striking the period at the end of paragraph  
22 (28) and inserting “; and”, and by adding at the  
23 end the following:

24 “(29) ‘dynamic assumptions’ means economic  
25 assumptions that are used in determining actuarial

1 costs and liabilities of a retirement system and in  
2 anticipating the effects of long-term future—

3 “(A) investment yields;

4 “(B) increases in rates of basic pay; and

5 “(C) rates of price inflation.”.

6 (b) DEDUCTIONS AND CONTRIBUTIONS.—

7 (1) IN GENERAL.—Section 8334(a)(1) of title  
8 5, United States Code, is amended—

9 (A) by striking “(a)(1)” and inserting  
10 “(a)(1)(A)”;

11 (B) by designating the matter following  
12 the first sentence as subparagraph (B)(i) and  
13 aligning the text accordingly;

14 (C) in subparagraph (B)(i) (as so des-  
15 ignated by subparagraph (B)), by striking “An  
16 equal” and inserting “Except as provided in  
17 clause (ii), an equal”; and

18 (D) by adding at the end the following:

19 “(ii) In the case of an employee of the United States  
20 Postal Service, the amount to be contributed under this  
21 subparagraph shall (instead of the amount described in  
22 clause (i)) be equal to the product derived by multiplying  
23 the employee’s basic pay by the percentage equal to—

1           “(I) the normal-cost percentage for the applica-  
2           ble employee category listed in subparagraph (A),  
3           minus

4           “(II) the percentage deduction rate that applies  
5           with respect to such employee under subparagraph  
6           (A).”.

7           (2) CONFORMING AMENDMENTS.—Section  
8           8334(k) of title 5, United States Code, is amend-  
9           ed—

10           (A) in paragraph (1)(A), by striking “the  
11           first sentence of subsection (a)(1) of this sec-  
12           tion” and inserting “subsection (a)(1)(A)”

13           (B) in paragraph (1)(B)—

14           (i) by striking “the second sentence of  
15           subsection (a)(1) of this section” and in-  
16           serting “subparagraph (B) of subsection  
17           (a)(1)”; and

18           (ii) by striking “such sentence” and  
19           inserting “such subparagraph”; and

20           (C) in paragraph (2)(C)(iii), by striking  
21           “the first sentence of subsection (a)(1)” and in-  
22           serting “subsection (a)(1)(A)”.

23           (c) POSTAL SUPPLEMENTAL LIABILITY.—Subsection  
24           (h) of section 8348 of title 5, United States Code, is  
25           amended to read as follows:

1       “(h)(1)(A) For purposes of this subsection, ‘Postal  
2 supplemental liability’ means the estimated excess, as de-  
3 termined by the Office, of—

4           “(i) the actuarial present value of all future  
5 benefits payable from the Fund under this sub-  
6 chapter attributable to the service of current or  
7 former employees of the United States Postal Serv-  
8 ice, over

9           “(ii) the sum of—

10           “(I) the actuarial present value of deduc-  
11 tions to be withheld from the future basic pay  
12 of employees of the United States Postal Serv-  
13 ice currently subject to this subchapter pursu-  
14 ant to section 8334;

15           “(II) the actuarial present value of the fu-  
16 ture contributions to be made pursuant to sec-  
17 tion 8334 with respect to employees of the  
18 United States Postal Service currently subject  
19 to this subchapter;

20           “(III) that portion of the Fund balance, as  
21 of the date the Postal supplemental liability is  
22 determined, attributable to payments to the  
23 Fund by the United States Postal Service and  
24 its employees, including earnings on those pay-  
25 ments; and

1           “(IV) any other appropriate amount, as  
2           determined by the Office in accordance with  
3           generally accepted actuarial practices and prin-  
4           ciples.

5           “(B)(i) In computing the actuarial present value of  
6           future benefits, the Office shall include the full value of  
7           benefits attributable to military and volunteer service for  
8           United States Postal Service employees first employed  
9           after June 30, 1971, and a prorated share of the value  
10          of benefits attributable to military and volunteer service  
11          for United States Postal Service employees first employed  
12          before July 1, 1971.

13          “(ii) Military service so included shall not be included  
14          in computation of the payment required by subsection  
15          (g)(2).

16          “(2)(A) Not later than June 30, 2004, the Office  
17          shall determine the Postal supplemental liability as of Sep-  
18          tember 30, 2003. The Office shall establish an amortiza-  
19          tion schedule, including a series of equal annual install-  
20          ments commencing September 30, 2004, which provides  
21          for the liquidation of such liability by September 30, 2043.

22          “(B) The Office shall redetermine the Postal supple-  
23          mental liability as of the close of the fiscal year, for each  
24          fiscal year beginning after September 30, 2003, through  
25          the fiscal year ending September 30, 2038, and shall es-

1 establish a new amortization schedule, including a series of  
2 equal annual installments commencing on September 30  
3 of the subsequent fiscal year, which provides for the liq-  
4 uidation of such liability by September 30, 2043.

5       “(C) The Office shall redetermine the Postal supple-  
6 mental liability as of the close of the fiscal year for each  
7 fiscal year beginning after September 30, 2038, and shall  
8 establish a new amortization schedule, including a series  
9 of equal annual installments commencing on September  
10 30 of the subsequent fiscal year, which provides for the  
11 liquidation of such liability over 5 years.

12       “(D) Amortization schedules established under this  
13 paragraph shall be set in accordance with generally accept-  
14 ed actuarial practices and principles, with interest com-  
15 puted at the rate used in the most recent valuation of the  
16 Civil Service Retirement System.

17       “(E) The United States Postal Service shall pay the  
18 amounts so determined to the Office, with payments due  
19 not later than the date scheduled by the Office.

20       “(F) An amortization schedule established under sub-  
21 paragraph (B) or (C) shall supersede any amortization  
22 schedule previously established under this paragraph.

23       “(3) Notwithstanding any other provision of law, in  
24 computing the amount of any payment under any other  
25 subsection of this section that is based upon the amount

1 of the unfunded liability, such payment shall be computed  
2 disregarding that portion of the unfunded liability that the  
3 Office determines will be liquidated by payments under  
4 this subsection.

5 “(4) Notwithstanding any other provision of this sub-  
6 section, any determination or redetermination made by the  
7 Office under this subsection shall, upon request of the  
8 Postal Service, be subject to reconsideration and review  
9 (including adjustment by the Board of Actuaries of the  
10 Civil Service Retirement System) to the same extent and  
11 in the same manner as provided under section 8423(c) of  
12 title 5, United States Code.”.

13 (d) REPEALS.—

14 (1) IN GENERAL.—The following provisions of  
15 law are repealed:

16 (A) Subsection (m) of section 8348 of title  
17 5, United States Code.

18 (B) Subsection (c) of section 7101 of the  
19 Omnibus Budget Reconciliation Act of 1990 (5  
20 U.S.C. 8348 note).

21 (2) RULE OF CONSTRUCTION.—Nothing in this  
22 subsection shall be considered to affect any pay-  
23 ments made before the date of the enactment of this  
24 Act under either of the provisions of law repealed by  
25 paragraph (1).



1 **SEC. 3. DISPOSITION OF SAVINGS ACCRUING TO THE**  
2 **UNITED STATES POSTAL SERVICE.**

3 (a) IN GENERAL.—Savings accruing to the United  
4 States Postal Service as a result of the enactment of this  
5 Act shall—

6 (1) to the extent that such savings are attrib-  
7 utable to fiscal year 2003, 2004, or 2005, be used  
8 to reduce the postal debt, to such extent and in such  
9 manner as the Secretary of the Treasury shall speci-  
10 fy (in consultation with the Postmaster General),  
11 consistent with succeeding provisions of this section;  
12 and

13 (2) to the extent that such savings are attrib-  
14 utable to any fiscal year after fiscal year 2005, be  
15 held in escrow until Congress acts pursuant to sub-  
16 section (e).

17 (b) AMOUNTS SAVED.—

18 (1) IN GENERAL.—The amounts representing  
19 any savings accruing to the Postal Service in any  
20 fiscal year as a result of the enactment of this Act  
21 shall be computed by the Office of Personnel Man-  
22 agement in accordance with paragraph (2).

23 (2) METHODOLOGY.—Not later than July 31,  
24 2003, for fiscal year 2003, and October 1 of the fis-  
25 cal year before each fiscal year after fiscal year  
26 2003, the Office of Personnel Management shall—

1 (A) formulate a plan specifically enumer-  
2 ating the methods by which the Office shall  
3 make its computations under paragraph (1);  
4 and

5 (B) submit such plan to the Committee on  
6 Government Reform of the House of Represent-  
7 atives and the Committee on Governmental Af-  
8 fairs of the Senate.

9 (3) REQUIREMENTS.—Each such plan shall be  
10 formulated in consultation with the Postal Service  
11 and shall include the opportunity for the Postal  
12 Service to request reconsideration of computations  
13 under this subsection, and for the Board of Actu-  
14 aries of the Civil Service Retirement System to re-  
15 view and make adjustments to such computations, to  
16 the same extent and in the same manner as provided  
17 under section 8423(c) of title 5, United States Code.

18 (c) REPORTING REQUIREMENT.—The Postal Service  
19 shall include in each report rendered under section 2402  
20 of title 39, United States Code, the amount applied toward  
21 reducing the postal debt, and the size of the postal debt  
22 before and after the application of subsection (a), during  
23 the period covered by such report.

24 (d) SENSE OF CONGRESS.—It is the sense of the  
25 Congress that—

1           (1) the savings accruing to the Postal Service  
2           as a result of the enactment of this Act will be suffi-  
3           cient to allow the Postal Service to fulfill its commit-  
4           ment to hold postage rates unchanged until at least  
5           2006;

6           (2) because the Postal Service still faces sub-  
7           stantial obligations related to postretirement health  
8           benefits for its current and former employees, some  
9           portion of the savings referred to in paragraph (1)  
10          should be used to address those unfunded obliga-  
11          tions; and

12          (3) none of the savings referred to in paragraph  
13          (1) should be used to pay bonuses to Postal Service  
14          executives.

15          (e) **POSTAL SERVICE PROPOSAL.**—

16           (1) **IN GENERAL.**—The United States Postal  
17          Service shall, by September 30, 2003, in consulta-  
18          tion with the General Accounting Office, prepare  
19          and submit to the President and the Congress its  
20          proposal detailing how future savings accruing to the  
21          Postal Service as a result of the enactment of this  
22          Act should be expended.

23           (2) **MATTERS TO CONSIDER.**—In preparing its  
24          proposal under this subsection, the Postal Service  
25          shall consider—

1 (A) whether, and to what extent, those fu-  
2 ture savings should be used to address—

3 (i) debt repayment;

4 (ii) prefunding of postretirement  
5 healthcare benefits for current and former  
6 postal employees;

7 (iii) productivity and cost saving cap-  
8 ital investments; and

9 (iv) any other matter; and

10 (B) the report of the President’s Commis-  
11 sion on the United States Postal Service under  
12 section 5 of Executive Order 13278 (67 Fed.  
13 Reg. 76672).

14 (3) GAO REVIEW AND REPORT.—Not later than  
15 30 days after the Postal Service submits its proposal  
16 pursuant to paragraph (1), the General Accounting  
17 Office shall prepare and submit a written evaluation  
18 of such proposal to the Committee on Government  
19 Reform of the House of Representatives and the  
20 Committee on Governmental Affairs of the Senate.

21 (4) LEGISLATIVE ACTION.—Upon receiving the  
22 proposal of the Postal Service and the evaluation of  
23 such proposal by the General Accounting Office  
24 under this subsection, Congress shall revisit the  
25 question of how the savings accruing to the Postal

1 Service as a result of the enactment of this Act  
2 should be used.

3 (f) DETERMINATION AND DISPOSITION OF SUR-  
4 PLUS.—

5 (1) IN GENERAL.—If, as of the date under  
6 paragraph (2), the Office of Personnel Management  
7 determines (after consultation with the Postmaster  
8 General) that the computation under section  
9 8348(h)(1)(A) of title 5, United States Code, yields  
10 a negative amount (hereinafter referred to as a  
11 “surplus”)—

12 (A) the Office shall inform the Postmaster  
13 General of its determination, including the size  
14 of the surplus so determined; and

15 (B) the Postmaster General shall submit to  
16 the Congress a report describing how the Postal  
17 Service proposes that such surplus be used, in-  
18 cluding a draft of any legislation that might be  
19 necessary.

20 (2) DETERMINATION DATE.—The date to be  
21 used for purposes of paragraph (1) shall be Sep-  
22 tember 30, 2025, or such earlier date as, in the  
23 judgment of the Office, is the date by which all post-  
24 al employees under the Civil Service Retirement Sys-  
25 tem will have retired.

1 (g) DEFINITIONS.—For purposes of this section—

2 (1) the savings accruing to the Postal Service  
3 as a result of the enactment of this Act shall, for  
4 any fiscal year, be equal to the amount (if any) by  
5 which—

6 (A) the contributions that the Postal Serv-  
7 ice would otherwise have been required to make  
8 to the Civil Service Retirement and Disability  
9 Fund for such fiscal year if this Act had not  
10 been enacted, exceed

11 (B) the contributions made by the Postal  
12 Service to such Fund for such fiscal year; and

13 (2) the term “postal debt” means the out-  
14 standing obligations of the Postal Service, as deter-  
15 mined under chapter 20 of title 39, United States  
16 Code.

17 **SEC. 4. EFFECTIVE DATE.**

18 This Act and the amendments made by this Act shall  
19 become effective on the date of the enactment of this Act,  
20 except that the amendments made by section 2(b) shall  
21 apply with respect to pay periods beginning on or after  
22 such date.

○