

108TH CONGRESS
1ST SESSION

S. 380

AN ACT

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”.

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

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

4 (1) in paragraph (17)—

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

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

9 (2) by amending paragraph (18) to read as fol-
10 lows:

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

16 “(A) the Federal Employees’ Retirement
17 System; or

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

23 (3) by striking “and” at the end of paragraph
24 (27), by striking the period at the end of paragraph
25 (28) and inserting “; and”, and by adding at the
26 end the following:

1 “(29) ‘dynamic assumptions’ means economic
2 assumptions that are used in determining actuarial
3 costs and liabilities of a retirement system and in
4 anticipating the effects of long-term future—

5 “(A) investment yields;

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

7 “(C) rates of price inflation.”.

8 (b) DEDUCTIONS AND CONTRIBUTIONS.—

9 (1) IN GENERAL.—Section 8334(a)(1) of title
10 5, United States Code, is amended—

11 (A) by striking “(a)(1)” and inserting

12 “(a)(1)(A)”;

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

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

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

21 “(ii) In the case of an employee of the United States
22 Postal Service, the amount to be contributed under this
23 subparagraph shall (instead of the amount described in
24 clause (i)) be equal to the product derived by multiplying
25 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
9 amended—

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)”;

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

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 the computation of any amount under subsection (g)(2).

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

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

1 equal annual installments commencing on September 30
2 of the subsequent fiscal year, which provides for the liq-
3 uidation of such liability by September 30, 2043.

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

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

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

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

22 “(3) Notwithstanding any other provision of law, in
23 computing the amount of any payment under any other
24 subsection of this section that is based upon the amount
25 of the unfunded liability, such payment shall be computed

1 disregarding that portion of the unfunded liability that the
2 Office determines will be liquidated by payments under
3 this subsection.

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

11 (d) REPEALS.—

12 (1) IN GENERAL.—The following provisions of
13 law are repealed:

14 (A) Subsection (m) of section 8348 of title
15 5, United States Code.

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

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

24 (e) MILITARY SERVICE PROPOSALS.—

1 (1) PROPOSALS.—The United States Postal
2 Service, the Department of the Treasury, and the
3 Office of Personnel Management shall, by September
4 30, 2003, each prepare and submit to the President,
5 the Congress, and the General Accounting Office
6 proposals detailing whether and to what extent the
7 Department of the Treasury or the Postal Service
8 should be responsible for the funding of benefits at-
9 tributable to the military service of current and
10 former employees of the Postal Service that, prior to
11 the date of the enactment of this Act, were provided
12 for under section 8348(g)(2) of title 5, United
13 States Code.

14 (2) GAO REVIEW AND REPORT.—Not later than
15 60 days after the Postal Service, the Department of
16 the Treasury, and the Office of Personnel Manage-
17 ment have submitted their proposals under para-
18 graph (1), the General Accounting Office shall pre-
19 pare and submit a written evaluation of each such
20 proposal to the Committee on Government Reform
21 of the House of Representatives and the Committee
22 on Governmental Affairs of the Senate.

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—

6 (1) shall, to the extent that such savings are at-
7 tributable to fiscal year 2003 or 2004, be used to re-
8 duce the postal debt (in consultation with the Sec-
9 retary of the Treasury), and the Postal Service shall
10 not incur additional debt to offset the use of the sav-
11 ings to reduce the postal debt in fiscal years 2003
12 and 2004;

13 (2) shall, to the extent that such savings are at-
14 tributable to fiscal year 2005, be used to continue
15 holding postage rates unchanged and to reduce the
16 postal debt, to such extent and in such manner as
17 the Postal Service shall specify (in consultation with
18 the Secretary of the Treasury); and

19 (3) to the extent that such savings are attrib-
20 utable to any fiscal year after fiscal year 2005, shall
21 be considered to be operating expenses of the Postal
22 Service and, until otherwise provided for by law,
23 shall be held in escrow and may not be obligated or
24 expended.

25 (b) AMOUNTS SAVED.—

1 (1) IN GENERAL.—The amounts representing
2 any savings accruing to the Postal Service in any
3 fiscal year as a result of the enactment of this Act
4 shall be computed by the Office of Personnel Man-
5 agement for each such fiscal year in accordance with
6 paragraph (2).

7 (2) METHODOLOGY.—Not later than July 31,
8 2003, the Office of Personnel Management shall—

9 (A) formulate a plan specifically enumer-
10 ating the actuarial methods and assumptions by
11 which the Office shall make its computations
12 under paragraph (1); and

13 (B) submit such plan to the Committee on
14 Government Reform of the House of Represent-
15 atives and the Committee on Governmental Af-
16 fairs of the Senate.

17 (3) REQUIREMENTS.—The plan shall be formu-
18 lated in consultation with the Postal Service and
19 shall include the opportunity for the Postal Service
20 to request reconsideration of computations under
21 this subsection, and for the Board of Actuaries of
22 the Civil Service Retirement System to review and
23 make adjustments to such computations, to the
24 same extent and in the same manner as provided
25 under section 8423(c) of title 5, United States Code.

1 (c) REPORTING REQUIREMENT.—The Postal Service
2 shall include in each report rendered under section 2402
3 of title 39, United States Code, the amount applied toward
4 reducing the postal debt, and the size of the postal debt
5 before and after the application of subsection (a), during
6 the period covered by such report.

7 (d) SENSE OF CONGRESS.—It is the sense of the
8 Congress that—

9 (1) the savings accruing to the Postal Service
10 as a result of the enactment of this Act will be suffi-
11 cient to allow the Postal Service to fulfill its commit-
12 ment to hold postage rates unchanged until at least
13 2006;

14 (2) because the Postal Service still faces sub-
15 stantial obligations related to postretirement health
16 benefits for its current and former employees, some
17 portion of the savings referred to in paragraph (1)
18 should be used to address those unfunded obliga-
19 tions; and

20 (3) none of the savings referred to in paragraph
21 (1) should be used in the computation of any bo-
22 nuses for Postal Service executives.

23 (e) POSTAL SERVICE PROPOSAL.—

24 (1) IN GENERAL.—The United States Postal
25 Service shall, by September 30, 2003, prepare and

1 submit to the President, the Congress, and the Gen-
2 eral Accounting Office its proposal detailing how any
3 savings accruing to the Postal Service as a result of
4 the enactment of this Act, which are attributable to
5 any fiscal year after fiscal year 2005, should be ex-
6 pended.

7 (2) MATTERS TO CONSIDER.—In preparing its
8 proposal under this subsection, the Postal Service
9 shall consider—

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

12 (i) debt repayment;

13 (ii) prefunding of postretirement
14 healthcare benefits for current and former
15 postal employees;

16 (iii) productivity and cost saving cap-
17 ital investments;

18 (iv) delaying or moderating increases
19 in postal rates; and

20 (v) any other matter; and

21 (B) the work of the President's Commis-
22 sion on the United States Postal Service under
23 section 5 of Executive Order 13278 (67 Fed.
24 Reg. 76672).

1 (3) GAO REVIEW AND REPORT.—Not later than
2 60 days after the Postal Service submits its proposal
3 pursuant to paragraph (1), the General Accounting
4 Office shall prepare and submit a written evaluation
5 of such proposal to the Committee on Government
6 Reform of the House of Representatives and the
7 Committee on Governmental Affairs of the Senate.

8 (4) LEGISLATIVE ACTION.—Not later than 180
9 days after it has received both the proposal of the
10 Postal Service and the evaluation of such proposal
11 by the General Accounting Office under this sub-
12 section, Congress shall revisit the question of how
13 the savings accruing to the Postal Service as a result
14 of the enactment of this Act should be used.

15 (f) DETERMINATION AND DISPOSITION OF SUR-
16 PLUS.—

17 (1) IN GENERAL.—If, as of the date under
18 paragraph (2), the Office of Personnel Management
19 determines (after consultation with the Postmaster
20 General) that the computation under section
21 8348(h)(1)(A) of title 5, United States Code, yields
22 a negative amount (hereinafter referred to as a
23 “surplus”)—

1 (A) the Office shall inform the Postmaster
2 General of its determination, including the size
3 of the surplus so determined; and

4 (B) the Postmaster General shall submit to
5 the Congress a report describing how the Postal
6 Service proposes that such surplus be used, in-
7 cluding a draft of any legislation that might be
8 necessary.

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

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

16 (1) the savings accruing to the Postal Service
17 as a result of the enactment of this Act shall, for
18 any fiscal year, be equal to the amount (if any) by
19 which—

20 (A) the contributions that the Postal Serv-
21 ice would otherwise have been required to make
22 to the Civil Service Retirement and Disability
23 Fund for such fiscal year if this Act had not
24 been enacted, exceed

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

3 (2) the term “postal debt” means the out-
4 standing obligations of the Postal Service, as deter-
5 mined under chapter 20 of title 39, United States
6 Code.

7 **SEC. 4. EFFECTIVE DATE.**

8 This Act and the amendments made by this Act shall
9 become effective on the date of the enactment of this Act,
10 except that the amendments made by section 2(b) shall
11 apply with respect to pay periods beginning on or after
12 such date.

Passed the Senate April 2, 2003.

Attest:

Secretary.

108TH CONGRESS
1ST SESSION

S. 380

AN ACT

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.