

Union Calendar No. 30

108TH CONGRESS
1ST SESSION

H. R. 735

[Report No. 108-49]

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.

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

MARCH 27, 2003

Additional sponsors: Mr. ISRAEL, Mr. TOWNS, Mrs. MALONEY, Mr. KOLBE, Mr. SULLIVAN, Mr. LATHAM, Mr. OWENS, Mrs. TAUSCHER, Mr. QUINN, Mr. SCHROCK, Mrs. MILLER of Michigan, Mr. SHAYS, Mr. WALSH, Ms. KAPTUR, Mr. BURTON of Indiana, Mr. PUTNAM, Mr. CLAY, Mr. LANTOS, Mr. LEACH, Ms. PRYCE of Ohio, Mr. LYNCH, Mr. LARSON of Connecticut, Mr. HOUGHTON, Mr. BLUMENAUER, Mr. LOBIONDO, Mr. SAXTON, Mr. FROST, Mr. HOLDEN, Mr. LINCOLN DIAZ-BALART of Florida, Mr. SENSENBRENNER, Mr. SERRANO, Mr. PLATTS, Mr. HOLT, Mr. RAHALL, Mr. FERGUSON, Mr. WOLF, Mr. EVANS, Mrs. MCCARTHY of New York, Ms. WATSON, Mr. PRICE of North Carolina, Mr. CANNON, Ms. NORTON, Mr. VISCLOSKY, Mr. COSTELLO, Mr. PASTOR, Mr. BRADLEY of New Hampshire, Mr. BAKER, Mr. KANJORSKI, Mr. MENENDEZ, Mr. ANDREWS, Mr. ENGEL, Mr. FRANK of Massachusetts, Ms. SLAUGHTER, Mr. BOEHLERT, Ms. MILLENDER-MCDONALD, Mr. MCNULTY, Mr. RYAN of Wisconsin, Mr. MATSUI, Mr. SESSIONS, Mr. MCGOVERN, Mr. MANZULLO, Mr. RENZI, Mr. ENGLISH, Mr. FLETCHER, Mr. BONILLA, Mr. KENNEDY of Minnesota, Mr. WAMP, Mr. THOMPSON of California, Mr. SKELTON, Mr. ALLEN, Mr. DAVIS of Tennessee, Mr. LARSEN of Washington, Mr. ISAKSON, Mr. TERRY, Mr. GOODE, and Mr. MICHAUD

MARCH 27, 2003

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on February 12, 2003]

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 Re-*
5 *tirement 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—*

9 (1) *in paragraph (17)—*

10 (A) *by striking “normal cost” and insert-*
11 *ing “normal-cost percentage”; and*

12 (B) *by inserting “and standards (using dy-*
13 *namic assumptions)” after “practice”;*

14 (2) *by amending paragraph (18) to read as fol-*
15 *lows:*

1 “(18) ‘Fund balance’ means the current net as-
2 sets of the Fund available for payment of benefits, as
3 determined by the Office in accordance with appro-
4 priate accounting standards, but does not include any
5 amount attributable to—

6 “(A) the Federal Employees’ Retirement
7 System; or

8 “(B) contributions made under the Federal
9 Employees’ Retirement Contribution Temporary
10 Adjustment Act of 1983 by or on behalf of any
11 individual who became subject to the Federal
12 Employees’ Retirement System;” and

13 (3) by striking “and” at the end of paragraph
14 (27), by striking the period at the end of paragraph
15 (28) and inserting “; and”, and by adding at the end
16 the following:

17 “(29) ‘dynamic assumptions’ means economic
18 assumptions that are used in determining actuarial
19 costs and liabilities of a retirement system and in an-
20 ticipating the effects of long-term future—

21 “(A) investment yields;

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

23 “(C) rates of price inflation.”.

24 (b) DEDUCTIONS AND CONTRIBUTIONS.—

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

3 (A) *by striking “(a)(1)” and inserting*
4 *“(a)(1)(A)”;*

5 (B) *by designating the matter following the*
6 *first sentence as subparagraph (B)(i) and align-*
7 *ing the text accordingly;*

8 (C) *in subparagraph (B)(i) (as so des-*
9 *ignated by subparagraph (B)), by striking “An*
10 *equal” and inserting “Except as provided in*
11 *clause (ii), an equal”;* and

12 (D) *by adding at the end the following:*

13 *“(ii) In the case of an employee of the United States*
14 *Postal Service, the amount to be contributed under this sub-*
15 *paragraph shall (instead of the amount described in clause*
16 *(i)) be equal to the product derived by multiplying the em-*
17 *ployee’s basic pay by the percentage equal to—*

18 *“(I) the normal-cost percentage for the applicable*
19 *employee category listed in subparagraph (A), minus*

20 *“(II) the percentage deduction rate that applies*
21 *with respect to such employee under subparagraph*
22 *(A).”.*

23 (2) *CONFORMING AMENDMENTS.*—Section
24 8334(k) of title 5, *United States Code, is amended—*

1 (A) in paragraph (1)(A), by striking “the
2 first sentence of subsection (a)(1) of this section”
3 and inserting “subsection (a)(1)(A)”;

4 (B) in paragraph (1)(B)—

5 (i) by striking “the second sentence of
6 subsection (a)(1) of this section” and insert-
7 ing “subparagraph (B) of subsection
8 (a)(1)”;

9 (ii) by striking “such sentence” and
10 inserting “such subparagraph”; and

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

14 (c) *POSTAL SUPPLEMENTAL LIABILITY*.—Subsection
15 (h) of section 8348 of title 5, United States Code, is amend-
16 ed to read as follows:

17 “(h)(1)(A) For purposes of this subsection, ‘Postal sup-
18 plemental liability’ means the estimated excess, as deter-
19 mined by the Office, of—

20 “(i) the actuarial present value of all future ben-
21 efits payable from the Fund under this subchapter at-
22 tributable to the service of current or former employ-
23 ees of the United States Postal Service, over

24 “(ii) the sum of—

1 “(I) the actuarial present value of deduc-
2 tions to be withheld from the future basic pay of
3 employees of the United States Postal Service
4 currently subject to this subchapter pursuant to
5 section 8334;

6 “(II) the actuarial present value of the fu-
7 ture contributions to be made pursuant to sec-
8 tion 8334 with respect to employees of the United
9 States Postal Service currently subject to this
10 subchapter;

11 “(III) that portion of the Fund balance, as
12 of the date the Postal supplemental liability is
13 determined, attributable to payments to the
14 Fund by the United States Postal Service and its
15 employees, including earnings on those pay-
16 ments; and

17 “(IV) any other appropriate amount, as de-
18 termined by the Office in accordance with gen-
19 erally accepted actuarial practices and prin-
20 ciples.

21 “(B)(i) In computing the actuarial present value of
22 future benefits, the Office shall include the full value of bene-
23 fits attributable to military and volunteer service for United
24 States Postal Service employees first employed after June
25 30, 1971, and a prorated share of the value of benefits at-

1 *tributable to military and volunteer service for United*
2 *States Postal Service employees first employed before July*
3 *1, 1971.*

4 “(ii) *Military service so included shall not be included*
5 *in the computation of any amount under subsection (g)(2).*

6 “(2)(A) *Not later than June 30, 2004, the Office shall*
7 *determine the Postal supplemental liability as of September*
8 *30, 2003. The Office shall establish an amortization sched-*
9 *ule, including a series of equal annual installments com-*
10 *mencing September 30, 2004, which provides for the liq-*
11 *uidation of such liability by September 30, 2043.*

12 “(B) *The Office shall redetermine the Postal supple-*
13 *mental liability as of the close of the fiscal year, for each*
14 *fiscal year beginning after September 30, 2003, through the*
15 *fiscal year ending September 30, 2038, and shall establish*
16 *a new amortization schedule, including a series of equal an-*
17 *nual installments commencing on September 30 of the sub-*
18 *sequent fiscal year, which provides for the liquidation of*
19 *such liability by September 30, 2043.*

20 “(C) *The Office shall redetermine the Postal supple-*
21 *mental liability as of the close of the fiscal year for each*
22 *fiscal year beginning after September 30, 2038, and shall*
23 *establish a new amortization schedule, including a series*
24 *of equal annual installments commencing on September 30*

1 *of the subsequent fiscal year, which provides for the liquida-*
2 *tion of such liability over 5 years.*

3 “(D) *Amortization schedules established under this*
4 *paragraph shall be set in accordance with generally accept-*
5 *ed actuarial practices and principles, with interest com-*
6 *puted at the rate used in the most recent dynamic actuarial*
7 *valuation of the Civil Service Retirement System.*

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

11 “(F) *An amortization schedule established under sub-*
12 *paragraph (B) or (C) shall supersede any amortization*
13 *schedule previously established under this paragraph.*

14 “(3) *Notwithstanding any other provision of law, in*
15 *computing the amount of any payment under any other*
16 *subsection of this section that is based upon the amount*
17 *of the unfunded liability, such payment shall be computed*
18 *disregarding that portion of the unfunded liability that the*
19 *Office determines will be liquidated by payments under this*
20 *subsection.*

21 “(4) *Notwithstanding any other provision of this sub-*
22 *section, any determination or redetermination made by the*
23 *Office under this subsection shall, upon request of the Postal*
24 *Service, be subject to reconsideration and review (including*
25 *adjustment by the Board of Actuaries of the Civil Service*

1 *Retirement System) to the same extent and in the same*
2 *manner as provided under section 8423(c).”.*

3 *(d) REPEALS.—*

4 *(1) IN GENERAL.—The following provisions of*
5 *law are repealed:*

6 *(A) Subsection (m) of section 8348 of title*
7 *5, United States Code.*

8 *(B) Subsection (c) of section 7101 of the*
9 *Omnibus Budget Reconciliation Act of 1990 (5*
10 *U.S.C. 8348 note).*

11 *(2) RULE OF CONSTRUCTION.—Nothing in this*
12 *subsection shall be considered to affect any payments*
13 *made before the date of the enactment of this Act*
14 *under either of the provisions of law repealed by*
15 *paragraph (1).*

16 ***SEC. 3. DISPOSITION OF SAVINGS ACCRUING TO THE***
17 ***UNITED STATES POSTAL SERVICE.***

18 *(a) IN GENERAL.—Savings accruing to the United*
19 *States Postal Service as a result of the enactment of this*
20 *Act—*

21 *(1) shall, to the extent that such savings are at-*
22 *tributable to fiscal year 2003 or 2004, be used to re-*
23 *duce the postal debt (in consultation with the Sec-*
24 *retary of the Treasury), and the Postal Service shall*
25 *not incur additional debt to offset the use of the sav-*

1 *ings to reduce the postal debt in fiscal years 2003 and*
2 *2004;*

3 *(2) shall, to the extent that such savings are at-*
4 *tributable to fiscal year 2005, be used to continue*
5 *holding postage rates unchanged and to reduce the*
6 *postal debt, to such extent and in such manner as the*
7 *Postal Service shall specify (in consultation with the*
8 *Secretary of the Treasury); and*

9 *(3) to the extent that such savings are attrib-*
10 *utable to any fiscal year after fiscal year 2005, shall*
11 *be considered to be operating expenses of the Postal*
12 *Service and, until otherwise provided for by law, shall*
13 *be held in escrow and may not be obligated or ex-*
14 *pended.*

15 *(b) AMOUNTS SAVED.—*

16 *(1) IN GENERAL.—The amounts representing*
17 *any savings accruing to the Postal Service in any fis-*
18 *cal year as a result of the enactment of this Act shall*
19 *be computed by the Office of Personnel Management*
20 *for each such fiscal year in accordance with para-*
21 *graph (2).*

22 *(2) METHODOLOGY.—Not later than July 31,*
23 *2003, the Office of Personnel Management shall—*

24 *(A) formulate a plan specifically enumer-*
25 *ating the actuarial methods and assumptions by*

1 *which the Office shall make its computations*
2 *under paragraph (1); and*

3 *(B) submit such plan to the Committee on*
4 *Government Reform of the House of Representa-*
5 *tives and the Committee on Governmental Af-*
6 *airs of the Senate.*

7 (3) *REQUIREMENTS.—The plan shall be formu-*
8 *lated in consultation with the Postal Service and*
9 *shall include the opportunity for the Postal Service to*
10 *request reconsideration of computations under this*
11 *subsection, and for the Board of Actuaries of the Civil*
12 *Service Retirement System to review and make ad-*
13 *justments to such computations, to the same extent*
14 *and in the same manner as provided under section*
15 *8423(c) of title 5, United States Code.*

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

22 (d) *SENSE OF CONGRESS.—It is the sense of the Con-*
23 *gress that—*

24 (1) *the savings accruing to the Postal Service as*
25 *a result of the enactment of this Act will be sufficient*

1 to allow the Postal Service to fulfill its commitment
2 to hold postage rates unchanged until at least 2006;

3 (2) because the Postal Service still faces substan-
4 tial obligations related to postretirement health bene-
5 fits for its current and former employees, some por-
6 tion of the savings referred to in paragraph (1)
7 should be used to address those unfunded obligations;
8 and

9 (3) none of the savings referred to in paragraph
10 (1) should be used in the computation of any bonuses
11 for Postal Service executives.

12 (e) *POSTAL SERVICE PROPOSAL.*—

13 (1) *IN GENERAL.*—The United States Postal
14 Service shall, by September 30, 2003, prepare and
15 submit to the President and the Congress its proposal
16 detailing how any savings accruing to the Postal
17 Service as a result of the enactment of this Act, which
18 are attributable to any fiscal year after fiscal year
19 2005, should be expended.

20 (2) *MATTERS TO CONSIDER.*—In preparing its
21 proposal under this subsection, the Postal Service
22 shall consider—

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

25 (i) debt repayment;

1 (ii) *prefunding of postretirement*
2 *healthcare benefits for current and former*
3 *postal employees;*

4 (iii) *productivity and cost saving cap-*
5 *ital investments;*

6 (iv) *delaying or moderating increases*
7 *in postal rates; and*

8 (v) *any other matter; and*

9 (B) *the work of the President's Commission*
10 *on the United States Postal Service under sec-*
11 *tion 5 of Executive Order 13278 (67 Fed. Reg.*
12 *76672).*

13 (3) *GAO REVIEW AND REPORT.—Not later than*
14 *60 days after the Postal Service submits its proposal*
15 *pursuant to paragraph (1), the General Accounting*
16 *Office shall prepare and submit a written evaluation*
17 *of such proposal to the Committee on Government Re-*
18 *form of the House of Representatives and the Com-*
19 *mittee on Governmental Affairs of the Senate.*

20 (4) *LEGISLATIVE ACTION.—Not later than 180*
21 *days after it has received both the proposal of the*
22 *Postal Service and the evaluation of such proposal by*
23 *the General Accounting Office under this subsection,*
24 *Congress shall revisit the question of how the savings*

1 *accruing to the Postal Service as a result of the enact-*
2 *ment of this Act should be used.*

3 *(f) DETERMINATION AND DISPOSITION OF SURPLUS.—*

4 *(1) IN GENERAL.—If, as of the date under para-*
5 *graph (2), the Office of Personnel Management deter-*
6 *mines (after consultation with the Postmaster Gen-*
7 *eral) that the computation under section*
8 *8348(h)(1)(A) of title 5, United States Code, yields a*
9 *negative amount (hereinafter referred to as a “sur-*
10 *plus”)—*

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

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

19 *(2) DETERMINATION DATE.—The date to be used*
20 *for purposes of paragraph (1) shall be September 30,*
21 *2025, or such earlier date as, in the judgment of the*
22 *Office, is the date by which all postal employees under*
23 *the Civil Service Retirement System will have retired.*

24 *(g) DEFINITIONS.—For purposes of this section—*

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

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

9 *(B) the contributions made by the Postal*
10 *Service to such Fund for such fiscal year; and*

11 (2) *the term “postal debt” means the outstanding*
12 *obligations of the Postal Service, as determined under*
13 *chapter 20 of title 39, United States Code.*

14 **SEC. 4. EFFECTIVE DATE.**

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

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