108TH CONGRESS 1st Session | HOUSE OF REPRESENTATIVES | REPORT 108–49

POSTAL CIVIL SERVICE RETIREMENT SYSTEM FUNDING REFORM ACT OF 2003

MARCH 27, 2003.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. TOM DAVIS of Virginia, from the Committee on Government Reform, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 735]

[Including cost estimate of the Congressional Budget Office]

The Committee on Government Reform, to whom was referred the bill (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, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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19–006

The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Postal Civil Service Retirement System Funding Reform Act of 2003".

SEC. 2. CIVIL SERVICE RETIREMENT SYSTEM.

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

(1) in paragraph (17)—

(A) by striking "'normal cost'" and inserting "'normal-cost percentage'"; and

(B) by inserting "and standards (using dynamic assumptions)" after "practice";

(2) by amending paragraph (18) to read as follows:

"(18) 'Fund balance' means the current net assets of the Fund available for payment of benefits, as determined by the Office in accordance with appropriate accounting standards, but does not include any amount attributable to—

"(A) the Federal Employees' Retirement System; or

"(B) contributions made under the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Federal Employees' Retirement System;"; and

(3) by striking "and" at the end of paragraph (27), by striking the period at the end of paragraph (28) and inserting "; and", and by adding at the end the following:

"(29) 'dynamic assumptions' means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

"(A) investment yields;

"(B) increases in rates of basic pay; and

"(C) rates of price inflation.".

(b) DEDUCTIONS AND CONTRIBUTIONS.—

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

(A) by striking "(a)(1)" and inserting "(a)(1)(A)";

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

(C) in subparagraph (B)(i) (as so designated by subparagraph (B)), by striking "An equal" and inserting "Except as provided in clause (ii), an equal"; and

(D) by adding at the end the following:

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

"(I) the normal-cost percentage for the applicable employee category listed in subparagraph (A), minus

"(II) the percentage deduction rate that applies with respect to such employee under subparagraph (A).".

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

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

(B) in paragraph (1)(B)—

(i) by striking "the second sentence of subsection (a)(1) of this section" and inserting "subparagraph (B) of subsection (a)(1)"; and

(ii) by striking "such sentence" and inserting "such subparagraph"; and

(C) in paragraph (2)(C)(iii), by striking "the first sentence of subsection (a)(1)" and inserting "subsection (a)(1)(A)".

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

"(h)(1)(A) For purposes of this subsection, 'Postal supplemental liability' means the estimated excess, as determined by the Office, of—

"(i) the actuarial present value of all future benefits payable from the Fund under this subchapter attributable to the service of current or former employees of the United States Postal Service, over

"(ii) the sum of—

"(I) the actuarial present value of deductions to be withheld from the future basic pay of employees of the United States Postal Service currently subject to this subchapter pursuant to section 8334;

"(II) the actuarial present value of the future contributions to be made pursuant to section 8334 with respect to employees of the United States Postal Service currently subject to this subchapter;

"(III) that portion of the Fund balance, as of the date the Postal supplemental liability is determined, attributable to payments to the Fund by the United States Postal Service and its employees, including earnings on those payments; and

"(IV) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.

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

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

"(2)(A) Not later than June 30, 2004, the Office shall determine the Postal supplemental liability as of September 30, 2003. The Office shall establish an amortization schedule, including a series of equal annual installments commencing September 30, 2004, which provides for the liquidation of such liability by September 30, 2043.

"(B) The Office shall redetermine the Postal supplemental liability as of the close of the fiscal year, for each fiscal year beginning after September 30, 2003, through the fiscal year ending September 30, 2038, and shall establish a new amortization schedule, including a series of equal annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability by September 30, 2043.

"(C) The Office shall redetermine the Postal supplemental liability as of the close of the fiscal year for each fiscal year beginning after September 30, 2038, and shall establish a new amortization schedule, including a series of equal annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

"(D) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent dynamic actuarial valuation of the Civil Service Retirement System.

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

"(F) An amortization schedule established under subparagraph (B) or (C) shall supersede any amortization schedule previously established under this paragraph.

"(3) Notwithstanding any other provision of law, in computing the amount of any payment under any other subsection of this section that is based upon the amount of the unfunded liability, such payment shall be computed disregarding that portion of the unfunded liability that the Office determines will be liquidated by payments under this subsection.

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

(d) REPEALS.—

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

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

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

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

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

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

(1) shall, to the extent that such savings are attributable to fiscal year 2003 or 2004, be used to reduce the postal debt (in consultation with the Secretary of the Treasury), and the Postal Service shall not incur additional debt to offset the use of the savings to reduce the postal debt in fiscal years 2003 and 2004;

(2) shall, to the extent that such savings are attributable to fiscal year 2005, be used to continue holding postage rates unchanged and to reduce the postal debt, to such extent and in such manner as the Postal Service shall specify (in consultation with the Secretary of the Treasury); and

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

(b) AMOUNTS SAVED.—

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

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

(A) formulate a plan specifically enumerating the actuarial methods and assumptions by which the Office shall make its computations under paragraph (1); and

(B) submit such plan to the Committee on Government Reform of the House of Representatives and the Committee on Governmental Affairs of the Senate.

(3) REQUIREMENTS.—The plan shall be formulated in consultation with the Postal Service and shall include the opportunity for the Postal Service to request reconsideration of computations under this subsection, and for the Board of Actuaries of the Civil Service Retirement System to review and make adjustments to such computations, to the same extent and in the same manner as provided under section 8423(c) of title 5, United States Code.

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

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

(1) the savings accruing to the Postal Service as a result of the enactment of this Act will be sufficient to allow the Postal Service to fulfill its commitment to hold postage rates unchanged until at least 2006;

(2) because the Postal Service still faces substantial obligations related to postretirement health benefits for its current and former employees, some portion of the savings referred to in paragraph (1) should be used to address those unfunded obligations; and

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

(e) POSTAL SERVICE PROPOSAL.—

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

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

(A) whether, and to what extent, those future savings should be used to address—

(i) debt repayment;

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

(iii) productivity and cost saving capital investments;

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

(v) any other matter; and

(B) the work of the President's Commission on the United States Postal Service under section 5 of Executive Order 13278 (67 Fed. Reg. 76672).

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

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

(f) DETERMINATION AND DISPOSITION OF SURPLUS.—

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

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

(B) the Postmaster General shall submit to the Congress a report describing how the Postal Service proposes that such surplus be used, including a draft of any legislation that might be necessary.

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

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

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

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

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

(2) the term "postal debt" means the outstanding obligations of the Postal Service, as determined under chapter 20 of title 39, United States Code.

SEC. 4. EFFECTIVE DATE.

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

PURPOSE AND SUMMARY

H.R. 735 reforms the manner by which the United States Postal Service funds its obligations to the Civil Service Retirement System (CSRS), by modeling the Postal Service's funding of its CSRS obligation after its funding of the Federal Employee Retirement System (FERS). This would result in considerable savings to the Postal Service. The bill requires the Postal Service to apply these savings in Fiscal Years 2003, 2004 and 2005 to paying down its debt to the U.S. Treasury and to delaying the next postage rate increase. The bill also requires the Postal Service to place savings realized after 2005 in escrow, and present a plan to Congress outlining how savings after fiscal year 2005 should be applied.

BACKGROUND AND NEED FOR THE LEGISLATION

In a December 2001 report, United States Postal Services: Information on Retirement Plans, the GAO raised the question of whether the United States Postal Service was paying more or less than appropriate to cover payments for the Civil Service Retirement System for which it is responsible. At the behest of the General Accounting Office, the Office of Personnel Management reviewed the current funding procedures of the USPS to the Civil Service Retirement System under law.

The Office of Personnel Management (OPM) determined that the Postal Service, based on payments required by existing law, would overpay its obligations to the Civil Service Retirement System (CSRS, the pre-1984 retirement system) by well over $70 billion dollars. As a result, without this legislative correction, the Postal Service would unnecessarily raise postage rates for the American mailing public earlier than required.

In order to correct this problem, OPM proposed legislation modeling the Postal Service's payments to CSRS after its payments to the current Federal Employee Retirement System (FERS). This would result in a reduction in the Postal Service's annual obligation to CSRS, allowing the Postal Service to delay its next rate increase beyond 2004 to at least fiscal year 2006.

H.R. 735 incorporates much of the language approved by the Administration. This bipartisan bill also has the support of the Postal Service as well as postal labor unions, management groups, and postal consumers.

The bill requires the Postal Service to work with the Department of the Treasury to apply the funds saved to pay down its debt to the Treasury in fiscal years 2003 and 2004. In fiscal year 2005, the bill directs the Postal Service to use the savings to delay an anticipated rate increase. After 2005, the bill requires the Postal Service and OPM to calculate the difference between the cost to fund CSRS under the bill and the cost under the old law. These funds would be held in escrow until Congress acts on a Postal Service proposal outlining what should be done with the funds.

Additional mandates, in the form of a sense of Congress, would direct that some portion of saved funds be used to hold postage rates unchanged until at least 2006, to fund retiree health benefits, and to not pay for executive bonuses.

H.R. 735 as reported differs from the introduced version, in that it incorporates several changes to the bill as introduced that were suggested by the General Accounting Office and the Postal Service.

HEARINGS

No hearings were held on H.R. 735.

COMMITTEE CONSIDERATION

On March 6, 2003, the Committee met in open session and favorably reported the bill, H.R. 735 (with a manager's amendment), by voice vote, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

H.R. 735 does not authorize funding. Therefore, clause 3(c)(4) of rule XIII of the Rules of the House of Representatives is inapplicable.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to H.R. 735, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 14, 2003.

Hon. TOM DAVIS,
Chairman, Committee on Government Reform,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 735, the Postal Civil Service Retirement System Funding Reform Act of 2003.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Grabowicz and Geoffrey Gerhardt.

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 735—Postal Civil Service Retirement System Funding Reform Act of 2003

Summary: Enacting H.R. 735 would permanently reduce payments by the United States Postal Service (USPS) to the Civil Service Retirement and Disability Fund (CSRDF) starting in 2003. CBO estimates that enacting the bill would result in net outlays of $7.1 billion over the 2003–2008 period. (Over the 2003–2013 period, total costs would be about $7.2 billion.) That estimate is the total budgetary impact of the proposal, combining both on-budget and off-budget effects. (USPS cash flows are considered off-budget.)

Under the bill, the Postal Service would see its required payments to the CSRDF reduced by $3 billion to $5 billion a year. The legislation specifies that the Postal Service and the Department of the Treasury should determine how to apply the savings that would result over the 2003–2005 period. CBO expects the Postal Service would use those savings to repay debt, delay future rate increases, and invest in capital projects or other activities to increase productivity. For fiscal years after 2005, the bill would require that savings resulting from reduced payments to the CSRDF be held in escrow and remain unavailable for obligation unless authorized by subsequent legislation.

By reducing USPS payments to the retirement fund, CBO estimates the bill would reduce the agency's costs (off-budget) by about $12 billion over the 2003–2008 period. We also estimate that enacting H.R. 735 would increase on-budget costs by about $19 billion over the same period. Thus the net effect of this legislation on the unified federal budget would be a cost of about $7.1 billion over the 2003–2008 period largely because on-budget offsetting receipts—representing payments from the Postal Service to the CSRDF—would be reduced. Over the 2003–2013 period, enacting H.R. 735

would combine off-budget savings of about $34 billion with on-budget costs of around $41 billion to produce a net cost of about $7.2 billion.

H.R. 735 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 735 is shown in the following table. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 900 (net interest), and 950 (undistributed offsetting receipts).

	By fiscal year, in billions of dollars—										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN DIRECT SPENDING											
On-Budget Effects—											
CSRDF:											
Estimated Budget Authority	3.5	2.7	3.0	3.0	3.2	3.6	3.8	4.2	4.6	4.8	5.2
Estimated Outlays	3.5	2.7	3.0	3.0	3.2	3.6	3.8	4.2	4.6	4.8	5.2
Off-Budget Effects—											
Postal Service:											
Estimated Budget Authority	−2.5	−0.6	0.8	−3.0	−3.2	−3.5	−3.8	−4.1	−4.5	−4.8	−5.2
Estimated Outlays	−2.5	−0.6	0.8	−3.0	−3.2	−3.5	−3.8	−4.1	−4.5	−4.8	−5.2
Total Budget Effects:											
Estimated Budget Authority	1.0	2.1	3.8	0.1	0.1	0.1	0.1	0.1	0.1	*	*
Estimated Outlays	1.0	2.1	3.8	0.1	0.1	0.1	0.1	0.1	0.1	*	*

Notes.—* = less than $50 million. Components may not add to totals because of rounding.

Basis of estimate: For this estimate, CBO assumes that H.R. 735 will be enacted in the spring of 2003. CBO estimates that reducing the Postal Service's payments to the retirement fund would reduce the agency's off-budget costs by about $12 billion over the 2003–2008 period, but enacting H.R. 735 would increase on-budget costs by about $19 billion over the same period. The net effect of this legislation on the unified federal budget would be a cost of about $7.1 billion over those six years. Over the 2003–2013 period, enacting H.R. 735 would combine off-budget savings of about $34 billion with on-budget costs of around $41 billion to produce a net cost of $7.2 billion.

Background

Although the Postal Service is a federal agency, its financial operations are classified as being off-budget. Despite this treatment, federal budget documents present the net income of the agency in the budgetary totals. The Postal Service is required by law to set postage rates to cover its full costs. In fiscal year 2002, the Postal Service generated $68.1 billion in collections, mostly from postage and user fees, and had $67.4 billion in expenses. The agency has the authority to borrow up to $15 billion from the Treasury; at the end of fiscal year 2002, its outstanding debt with the Treasury stood at $11.9 billion.

Postal employees participate in the federal government's two main defined benefit pension programs. Those workers first hired prior to 1984 are covered by the Civil Service Retirement System (CSRS) while those first hired after 1983, as well as former CSRS workers who elected to change coverage, participate in the Federal Employees' Retirement System (FERS). In 2002, about 30 percent of the USPS workforce was covered by CSRS, and the rest were under FERS.

The Postal Service and its employees each make payroll contributions toward both CSRS and FERS. For CSRS workers, both the standard agency and employee contribution rates are 7 percent. For FERS employees, the agency contribution rate for most employees is 10.7 percent, while the employee rate is 0.8 percent. Although CSRS provides more generous benefits than FERS, unlike FERS, CSRS is not a fully funded pension system, meaning that agency and employee contributions alone are not enough to finance the program's benefits. In an effort to make up the shortfall between contributions and benefits for its current and former employees, the Postal Service makes lump-sum payments to the retirement system each year. In 2002, those payments amounted to about $3.9 billion.

The Office of Personal Management projects that, under current law, the Postal Service will eventually overfund pension obligations for its workers by as much as $71 billion. The projected overfunding is due primarily to higher-than-expected returns on assets held in the CSRDF.

On-Budget Effects

H.R. 735 would change the way the Postal Service finances retirement benefits for many of its current and former employees. The proposal would replace two amortization payments the Postal Service now makes to CSRDF—amounting to a combined $4 billion in 2003 and expected to grow to nearly $6 billion in 2013—with a new annual payment of $434 million over the next 40 years that would amortize the agency's estimated unfunded liability of about $5 billion. The net effect is to reduce Postal Service payments to the CSRDF by $4 billion in 2003, $19.5 billion over the 2004–2008 period, and $43.5 billion over the 2004–2013 period.

The legislation also would replace the fixed contribution rate, which the Postal Service currently makes for its approximately 225,000 employees covered by the CSRS, with a rate intended to pay the full normal cost of CSRS benefits (including military service credits). This change would effectively increase the Postal Service's contribution rate for most covered employees from 7 percent to 17.4 percent of payroll. In 2004, the first full year of contributions at the higher rate, CBO estimates that this would increase the agency's retirement contributions by nearly $1 billion, but that increase would gradually decline as the CSRS covered workers retire. Employee contribution rates for those in CSRS, as well as agency and employee contributions for those in the Federal Employees' Retirement System, would be unaffected by the legislation.

The Postal Service is an off-budget entity and contributions and payments that it makes to the retirement trust fund are considered offsetting receipts. Reducing overall payments the Postal Service makes to the CSRDF would result in a reduction of on-budget receipts to the government. To the extent that the Postal Service uses its savings to reduce its debt to the Federal Financing Bank, on-budget interest receipts would also be lower. Assuming the changes made by H.R. 735 are effective in April 2003, CBO projects the net on-budget effect of the bill would be a cost of $3.5 billion in 2003 and approximately $19 billion over the 2003–2008 period.

Off-Budget Effects

CBO estimates that enactment of H.R. 735 would reduce net expenditures of the USPS by $12 billion over the 2003–2008 period. After 2005, the bill would direct the agency to continue to charge its ratepayers for the estimated cost of its current contribution to the CSRDF. However, the legislation would require that those collections be held in escrow and unavailable for obligation until a subsequent act of the Congress specifies how the collections should be used.

Estimated Effects on Postal Outlays for Fiscal Years 2003–2005. The Postal Service's response to the change in its pension payments is uncertain, but CBO anticipates that the agency will use the savings form H.R. 735 to:

- Repay $2 billion of its outstanding debt in fiscal year 2003,
- Invest $1 billion in fiscal year 2003 and $2 billion in 2004 in additional capital projects or other activities aimed at improving productivity, and
- Delay the next postal rate increase—anticipated late in fiscal year 2004, until fiscal year 2006.

CBO expects that the Postal Service would repay $2 billion of its outstanding debt to the Treasury in 2003. That action would reduce the agency's interest expenses by about $60 million annually, beginning in fiscal year 2004. Although the bill would require that all of the USPS's savings be used for debt redemption over the 2003–2004 period, the legislation would not effectively constrain the agency's ability to use its line of credit with the Treasury to ensure that net outstanding debt is reduced in those years. Because the USPS pays an average interest rate on that debt of only 3 percent, CBO expects the agency would seek to make capital investments with much of the savings that could more effectively contribute to lowering its operating costs and thus contribute to a postponement of its next rate increase. By fiscal year 2005, CBO estimates such investments would lead to operational savings of about $300 million per year.

In July 2002, the Postal Service raised the price of a first-class stamp from $0.34 to $0.37 and raised rates for other classes of mail. Based on information from the Postal Service and on postal revenues to date in 2003, CBO estimates that this rate increase will raise over $3 billion in additional revenue a year. The CBO baseline assumes a similar rate increase late in fiscal year 2004, including a price of $0.40 for a first-class stamp.

We estimate that delaying the next rate increase would result in a small loss of revenue in fiscal year 2004 and a loss of roughly $3.5 billion in fiscal year 2005. A delay in the rate increase also would increase operating expenses because the Postal Service would have to deliver higher volumes of mail than otherwise expected. (When rates go up, mail volume goes down.) Based on information from the Postal Service about the relationship between price increases, mail volumes, and operating costs, we expect that this increase in expenses would be just over half a billion dollars in 2005.

CBO estimates that those changes in postal revenues and expenses would result in lower net outlays of $2.5 billion in fiscal year 2003 and $600 million in 2004, with a net increase in outlays of $800 million in 2005.

Estimated Effects on Postal Outlays for Fiscal Years 2006–2008. For fiscal years after 2005, savings resulting from enactment of the bill would not be available for spending unless authorized by subsequent legislation. In addition, H.R. 735 would direct any savings to be considered operating expenses of the Postal Service. Thus, the agency's gross costs for rate-setting purposes would remain nearly identical to what those costs would be under current law even though the agency's actual expenditures would decline by the amounts that the bill would require to be placed in escrow. As a result, net off-budget outlays of the Postal Service would decline by the same amount as the savings from lower pension payments, beginning in fiscal year 2006.

Intergovernmental and private-sector impact: H.R. 735 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal Costs—Postal Service: Mark Grabowicz; CSRDF: Geoffrey Gerhardt. Impact on State, Local, and Tribal Governments: Victoria Heid Hall. Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

Constitutional Authority Statement

Pursuant to rule XIII, clause 3(d)(1), the Committee finds that clauses 1 and 18 of Article I, Section 8 of the United States Constitution grant Congress the power to enact this law

Section-by-Section Analysis and Discussion

Section 1. Short title

This section provides that the bill may be cited as the "Postal Civil Service Retirement System Funding Reform Act of 2003".

Section 2. Civil Service Retirement System

This section amends provisions of subchapter III of chapter 83 of title 5, United States Code, to reform the provisions for funding retirement benefits for employees of the United States Postal Service under the Civil Service Retirement System.

Subsection (a)(1) amends section 8331 of title 5, U.S.C., by changing the term defined in paragraph (17) of that section from "normal cost" to "normal cost percentage." The insertion of the phrase "and standards (using dynamic assumptions)" after "actuarial practice" changes the method of computing normal cost from a static basis to a dynamic one. While the term "normal cost" was defined in section 8331, it had not actually been used in chapter 83 since the last reference to it was repealed some years ago.

Subsection (a)(2) redefines "Fund balance" to provide a more accurate and functionally useful definition.

Subsection (a)(3) add the definitions of the term "dynamic assumptions," which is virtually identical to the definition in paragraphs (9) of section 8401, which is used in the administration of the Federal Employees Retirement System.

Subsection (b) amends the provisions of section 8334(a)(1) to change the provisions applicable to employer retirement contributions made by the Postal Service.

Subsections (b)(1)(A) and (b)(1)(B) divide and redesignate the existing provisions of section 8334(a)(1).

Subsection (b)(1)(C) excludes the Postal Service from the requirement of agency contributions that match employee deductions.

Subsection (b)(1)(D) provides that the Postal Service employer contribution will be a percentage of basic pay equal to the normal cost percentage for the type of employee (i.e., regular employee, law enforcement officer, etc.), less the percentage of basic pay deducted from the employee's basic pay.

Subsection (b)(2) provides conforming amendments reflecting the above changes.

Subsection (c) rewrites section 8348(h) of title 5, United States Code. It repeals the existing provisions requiring Postal Service payments for costs "attributable to any benefits payable from the Fund to active and retired Postal Service officers and employees, and to their survivors, when the increase results from an employee-management agreement under title 39 of the United States Code, or any administrative action by the Postal Service taken pursuant to law, which authorizes increases in pay on which benefits are computed."

As amended, section 8348(h)(1)(A) establishes a new concept, the "Postal supplemental liability," which is essentially the difference between the actuarial present value of retirement obligations for Postal Service employees, less the present value of prior and future employer and employee payments to the Retirement Fund, taking into account the earnings on those payments.

Section 8348(h)(1)(B) sets the basis for inclusion of the value of benefits based upon military and volunteer service (i.e., Peace Corps, VISTA, etc.), providing for proration in the case of pre-Postal reform employees. It also excludes the military service so-included from inclusion in computation of amount of the annual Treasury payment required to pay for costs attributable to military service.

Section 8348(h)(2) provides for OPM to determine an appropriate amortization schedule, including a series of equal annual installments commencing September 30, 2004, providing for the liquidation of the Postal supplemental liability by September 30, 2043. Then, for each fiscal year beginning after September 30, 2003, through the fiscal year ending September 30, 2038, OPM is required to redetermine the Postal supplemental liability at the close of the fiscal year and establish a new amortization schedule, including a series of equal installments commencing on September 30 of the subsequent fiscal year, providing for the liquidation of that redetermined Postal supplemental liability by September 30, 2043. For each fiscal year beginning after September 30, 2038, OPM is required to redetermine the Postal supplemental liability at the close of the fiscal year and establish a new amortization schedule, including a series of annual installments commencing on September 30 of the subsequent fiscal year, providing for the liquidation of that redetermined Postal supplemental liability over five years. All amortization schedules established under this section must be set in accordance with generally accepted actuarial practices and principles, with interest computed at most recent dynamic valuation of the Civil Service Retirement System.

Section 8348(h)(3) provides that in computing the amount of any payment under any other subsection of section 8348 that is based upon the amount of the Retirement Fund's unfunded liability, such payment shall be computed disregarding any portion of the unfunded liability that OPM determines will be liquidated by the Postal Service amortization payments.

Section 8348(h)(4) allows the Postal Service to appeal determinations made by the Office of Personnel Management to the Board of Actuaries of the Civil Service Retirement System.

Subsection (d)(1)(A) of the bill repeals the existing provisions of section 8348(m), requiring Postal Service payments based upon retirement costs attributable to retirement cost-of-living increases.

Subsection (d)(1)(B) of the bill prospectively repeals non-codified provisions requiring additional Postal Service payments to the Retirement Fund.

Section 3. Disposition of savings accruing to the United States Postal Service

Section 3(a)(1) of the bill requires the Postal Service to use any savings accrued as a result of the bill in fiscal years 2003 and 2004 to pay down the Postal Service's debt to the U.S. Treasury, in consultation with the Secretary of the Treasury. The section prohibits the Postal Service from accumulating additional offsetting debt.

Section 3(a)(2) of the bill requires the Postal Service to apply any saving accruing in fiscal year 2005 to hold postage rates unchanged, and to pay down debt.

Section 3(a)(3) of the bill requires the Postal Service in fiscal years after 2005, to include savings accruing in the revenue requirement, and to place them in an escrow account until Congress acts on a Postal Service proposal for the funds.

Section 3(b) of the bill directs the Office of Personnel Management to calculate the accrued savings as defined under Section 3(g) of the bill. The Postal Service would have the opportunity to appeal the Office of Personnel Management's calculations to the Board of Actuaries of the Civil Service Retirement System.

Section 3(c) of the bill directs the Postal Service to account for its debt repayments under Section 3(a) in its annual report.

Section 3(d) of the bill expresses the sense of Congress that enactment will allow the Postal Service to fulfill its public commitment to hold postage rates steady until at least fiscal year 2006. It also expresses the sense of Congress that some portion of the savings should be used to prefund the Postal Service's retiree health care liabilities, and that none of the savings should be used in the computation of executive bonuses.

Section 3(e) of the bill requires the Postal Service to present a plan to the President and Congress by September 30, 2003 outlining how the savings that would be held in escrow under Section 3(a)(3) should be treated. The General Accounting Office would be required to submit its evaluation of the Postal Service's plan to Congress within 60 days. The bill directs Congress to act on this proposal within 180 days of receiving GAO's evaluation, in order to prevent the escrow account from going into effect.

Section 3(f) of the bill requires the Office of Personnel Management to determine on September 30, 2025, whether a surplus exists in the Postal Service's Civil Service Retirement System fund, and if so, directs the Postal Service to propose to Congress how the surplus should be disbursed.

Section 3(g) of the bill defines "savings accrued" as the difference between the amount the Postal Service would have paid to the Civil Service Retirement System absent this legislation and the amount the Postal Service actually pays. Section 3(g) also defines "postal debt" as the outstanding obligations of the Postal Service under Chapter 20 of Title 39, United States Code.

Section 4. Effective date

Section 4 of the bill provides that it will be effective on enactment, except that the increases in Postal Service contributions based upon the basic pay of employees will apply only to pay periods beginning on or after the date of enactment.

AGENCY VIEW

UNITED STATES POSTAL SERVICE,
Washington, DC, March 21, 2003.

Hon. TOM DAVIS,
Chairman, Committee on Government Reform,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The U.S. Postal Service is extremely pleased that both the House and Senate have moved quickly to introduce The Postal Civil Service Retirement System Funding Reform Act of 2003, H.R. 735 and S. 380 respectively. We support this critically needed legislation, which would reform the method of funding benefits under the Civil Service Retirement System for employees of the Postal Service. We appreciate the recognition and understanding of the potential benefits of this reform for the Postal Service, its employees, our customers, and the nation's $900 billion mailing industry.

The Postal Service continues to face long-term challenges. However, quick approval and enactment of this legislation will allow the Postal Service to provide stable postage rates until 2006, and significantly reduce our $11 billion debt over the next few years.

We do have concerns with those provisions of Section 3 of H.R. 735 that provide for the establishment of an escrow account for accrued savings attributable to any fiscal year after fiscal year 2005. Under these provisions, beginning in 2006, the Postal Service would be required to pay into an escrow account the amount of "savings" calculated by OPM. The Postal Service would then be unable to use those funds until a report prepared by the Postal Service had been evaluated by GAO, approved by Congress, and subsequent enabling legislation enacted. This compounds the complexity of planning future Postal Service revenue requirements and rate offerings.

I want to emphasize that the Postal Service supports both the House and Senate versions of this legislation. We are committed to working with your committee to review and refine Section 3 of H.R. 735. We look forward to expeditious passage of this legislation.

Sincerely,

JOHN E. POTTER,
Postmaster General, CEO.

UNFUNDED MANDATES

The Committee finds that the legislation does not impose any Federal mandates within the meaning of section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

FEDERAL ADVISORY COMMITTEE ACT

The Committee finds that the legislation does not establish or authorize establishment of an advisory committee within the definition of 5 U.S.C. App., section 5(b).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

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PART III—EMPLOYEES

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Subpart G—Insurance and Annuities

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CHAPTER 83—RETIREMENT

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

§ 8331. Definitions

For the purpose of this subchapter—

(1) * * *

* * * * * * *

(17) "⟦normal cost⟧ *normal-cost percentage*" means the entry-age normal cost computed by the Office of Personnel Management in accordance with generally accepted actuarial practice *and standards (using dynamic assumptions)* and expressed as a level percentage of aggregate basic pay;

⟦(18) "Fund balance" means the sum of—

⟦(A) the investments of the Fund calculated at par value; and

⟦(B) the cash balance of the Fund on the books of the Treasury;

but does not include any amount attributable to—

⟦(i) the Federal Employees' Retirement System; or

⟦(ii) contributions made under the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Federal Employees' Retirement System;⟧

(18) "Fund balance" means the current net assets of the Fund available for payment of benefits, as determined by the Office in accordance with appropriate accounting standards, but does not include any amount attributable to—

(A) the Federal Employees' Retirement System; or

(B) contributions made under the Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 by or on behalf of any individual who became subject to the Federal Employees' Retirement System;

* * * * * * *

(27) "Nuclear materials courier"—

(A) * * *

(B) includes an employee who is transferred directly to a supervisory or administrative position within the same Department of Energy organization, after performing duties referred to in subparagraph (A) for at least 3 years; ⟦and⟧

(28) "Government physician" has the meaning given that term under section 5948⟦.⟧*; and*

(29) "dynamic assumptions" means economic assumptions that are used in determining actuarial costs and liabilities of a retirement system and in anticipating the effects of long-term future—

(A) investment yields;

(B) increases in rates of basic pay; and

(C) rates of price inflation.

* * * * * * *

§ 8334. Deductions, contributions, and deposits

(a)(1)*(A)* The employing agency shall deduct and withhold from the basic pay of an employee, Member, Congressional employee, law enforcement officer, firefighter, bankruptcy judge, judge of the United States Court of Appeals for the Armed Forces, United States magistrate, Court of Federal Claims judge, member of the Capitol Police, member of the Supreme Court Police, or nuclear materials courier, as the case may be, the percentage of basic pay applicable under subsection (c).

⟦An equal⟧ *(B)(i) Except as provided in clause (ii), an equal* amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Chief Administrative Officer of the House of Representatives, the Chief Administrative Officer may pay from the applicable accounts of the House of Representatives the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

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

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

(II) the percentage deduction rate that applies with respect to such employee under subparagraph (A).

* * * * * * *

(k)(1) Effective with respect to pay periods beginning after December 31, 1986, in administering this section in the case of an individual described in section 8402(b)(2) of this title—

(A) the amount to be deducted and withheld by the employing agency shall be determined in accordance with paragraph (2) of this subsection instead of ⟦the first sentence of subsection (a)(1) of this section⟧ *subsection (a)(1)(A)*; and

(B) the amount of the contribution under ⟦the second sentence of subsection (a)(1) of this section⟧ *subparagraph (B) of subsection (a)(1)* shall be the amount which would have been contributed under ⟦such sentence⟧ *such subparagraph* if this subsection had not been enacted.

(2)(A) * * *

* * * * * * *

(C) For purposes of this paragraph—

(i) * * *

* * * * * * *

(iii) the term "total deduction", as used with respect to any Federal wages (or portion thereof), means an amount equal to the amount of those wages (or of that portion), multiplied by the percentage which (but for this subsection) would apply under ⟦the first sentence of subsection (a)(1)⟧ *subsection (a)(1)(A)* with respect to the individual involved; and

* * * * * * *

§ 8348. Civil Service Retirement and Disability Fund

(a) * * *

* * * * * * *

⟦(h)(1) Notwithstanding any other statute, the United States Postal Service shall be liable for that portion of any estimated increase in the unfunded liability of the Fund which is attributable to any benefits payable from the Fund to active and retired Postal Service officers and employees, and to their survivors, when the increase results from an employee-management agreement under title 39, or any administrative action by the Postal Service taken pursuant to law, which authorizes increases in pay on which benefits are computed.

⟦(2) The estimated increase in the unfunded liability, referred to in paragraph (1) of this subsection, shall be determined by the Office of Personnel Management. The United States Postal Service shall pay the amount so determined to the Office in 30 equal annual installments with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System, with the first payment thereof due at the end of the fiscal year in which an increase in pay becomes effective.]

(h)(1)(A) For purposes of this subsection, "Postal supplemental liability" means the estimated excess, as determined by the Office, of—

(i) the actuarial present value of all future benefits payable from the Fund under this subchapter attributable to the service of current or former employees of the United States Postal Service, over

(ii) the sum of—

(I) the actuarial present value of deductions to be withheld from the future basic pay of employees of the United States Postal Service currently subject to this subchapter pursuant to section 8334;

(II) the actuarial present value of the future contributions to be made pursuant to section 8334 with respect to employees of the United States Postal Service currently subject to this subchapter;

(III) that portion of the Fund balance, as of the date the Postal supplemental liability is determined, attributable to payments to the Fund by the United States Postal Service and its employees, including earnings on those payments; and

(IV) any other appropriate amount, as determined by the Office in accordance with generally accepted actuarial practices and principles.

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

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

(2)(A) Not later than June 30, 2004, the Office shall determine the Postal supplemental liability as of September 30, 2003. The Office shall establish an amortization schedule, including a series of equal annual installments commencing September 30, 2004, which provides for the liquidation of such liability by September 30, 2043.

(B) The Office shall redetermine the Postal supplemental liability as of the close of the fiscal year, for each fiscal year beginning after September 30, 2003, through the fiscal year ending September 30, 2038, and shall establish a new amortization schedule, including a series of equal annual installments commencing on September 30 of the subsequent fiscal year, which provides for the liquidation of such liability by September 30, 2043.

(C) The Office shall redetermine the Postal supplemental liability as of the close of the fiscal year for each fiscal year beginning after September 30, 2038, and shall establish a new amortization schedule, including a series of equal annual installments commencing on

September 30 of the subsequent fiscal year, which provides for the liquidation of such liability over 5 years.

(D) Amortization schedules established under this paragraph shall be set in accordance with generally accepted actuarial practices and principles, with interest computed at the rate used in the most recent dynamic actuarial valuation of the Civil Service Retirement System.

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

(F) An amortization schedule established under subparagraph (B) or (C) shall supersede any amortization schedule previously established under this paragraph.

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

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

* * * * * * *

⟦(m)(1) Notwithstanding any other provision of law, the United States Postal Service shall be liable for that portion of any estimated increase in the unfunded liability of the Fund which is attributable to any benefits payable from the Fund to former employees of the Postal Service who first become annuitants by reason of separation from the Postal Service on or after July 1, 1971, or to their survivors, or to the survivors of individuals who die on or after July 1, 1971, while employed by the Postal Service, when the increase results from a cost-of-living adjustment under section 8340 of this title.

⟦(2) The estimated increase in the unfunded liability referred to in paragraph (1) of this subsection shall be determined by the Office after consultation with the Postal Service. The Postal Service shall pay the amount so determined to the Office in 15 equal annual installments with interest computed at the rate used in the most recent valuation of the Civil Service Retirement System, and with the first payment thereof due at the end of the fiscal year in which the cost-of-living adjustment with respect to which the payment relates becomes effective.

⟦(3) In determining any amount for which the Postal Service is liable under this subsection, the amount of the liability shall be prorated to reflect only that portion of total service (used in computing the benefits involved) which is attributable to civilian service performed after June 30, 1971, as estimated by the Office.⟧

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SECTION 7101 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990

(a) * * *

*　　*　　*　　*　　*　　*　　*

⟦(c) PROVISION RELATING TO PRE-1991 COLAS.—(1) For the purpose of this subsection—

⟦(A) the term "pre-1991 COLA" means a cost-of-living adjustment which took effect in any of the fiscal years specified in subparagraphs (A)–(N) of paragraph (3);

⟦(B) the term "post-1990 fiscal year" means a fiscal year after fiscal year 1990; and

⟦(C) the term "pre-1991 fiscal year" means a fiscal year before fiscal year 1991.

⟦(2) Notwithstanding any other provision of law, an installment (equal to an amount determined by reference to paragraph (3)) shall be payable by the United States Postal Service in a post-1990 fiscal year, with respect to a pre-1991 COLA, if such fiscal year occurs within the 15-fiscal year period which begins with the first fiscal year in which that COLA took effect.

⟦(3) Notwithstanding any provision of section 8348(m) of title 5, United States Code, or any determination thereunder (including any made under such provision, as in effect before October 1, 1990), the estimated increase in the unfunded liability referred to in paragraph (1) of such section 8348(m) shall be payable, in accordance with this subsection, based on annual installments equal to—

⟦(A) $6,500,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1977;

⟦(B) $7,000,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1978;

⟦(C) $10,400,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1979;

⟦(D) $20,500,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1980;

⟦(E) $26,100,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1981;

⟦(F) $28,100,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1982;

⟦(G) $30,600,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1983;

⟦(H) $5,700,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1984;

⟦(I) $19,400,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1985;

⟦(J) $7,400,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1986;

⟦(K) $8,500,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1987;

⟦(L) $36,800,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1988;

⟦(M) $51,600,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1989; and

⟦(N) $63,500,000 each, with respect to the cost-of-living adjustment which took effect in fiscal year 1990;

⟦(4) Any installment payable under this subsection shall be paid by the Postal Service at the same time as when it pays any installments for which the Postal Service might otherwise be liable in such fiscal year, with respect to such COLA, under section 8348(m) of title 5, United States Code.⟧

*   *   *   *   *   *   *

ADDITIONAL VIEWS

H.R. 735 has many good features. It strengthens the Postal Service, lowers the Postal Service' debt, and protects postal consumers. H.R. 735 has also been endorsed by a coalition of postal unions and the mailing industry.

The legislation, however, is not perfect. In particular, we do not believe that requiring the Postal Service to pay the pension costs associated with military service is a good idea.

Under current law, Treasury pays the retirement costs related to the military service of employees in CSRS. H.R. 735 shifts the burden of costs related to the military service of postal employees covered by CSRS to the Postal Service. In fact, the bill not only requires the Postal Service to pay military pensions for current and future retirees, but it also makes the Postal Service reimburse Treasury for costs that have already been paid. This shift will require the Postal Service to pay $27.2 billion more than it otherwise would have to pay. This is unfair to the Postal Service.

During the markup of H.R. 735, Mr. Waxman offered and withdrew an amendment that would have maintained the status quo, leaving the responsibility for paying for military costs with the federal treasury, where they have always been and where they belong. We hope this issue will be addressed before the bill goes to the floor.

HENRY A. WAXMAN.
TOM LANTOS.
ELIJAH E. CUMMINGS.
DANNY K. DAVIS.
WM. LACY CLAY.
STEPHEN F. LYNCH.
CHRIS VAN HOLLEN.
JIM COOPER.

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