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(Original Signature of Member)

108TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

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 _____

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

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



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)”; and

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

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

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



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

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

9 “(ii) the sum of—

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

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

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



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

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

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

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

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



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

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

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

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

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

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



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

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

13 (d) REPEALS.—

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

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

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

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



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

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

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

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

17 (b) AMOUNTS SAVED.—

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

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



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

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

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

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

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



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

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

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

15 (e) POSTAL SERVICE PROPOSAL.—

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

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



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

3 (i) debt repayment;

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

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

9 (iv) any other matter; and

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

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

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



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

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

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

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

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

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



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

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

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

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

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

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

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

