

RATE IMPLICATIONS OF ESCROW FUNDING OPTIONS
With Return of CSRS Military Costs to U.S. Treasury

<u>OPTIONS</u>	<u>FIRST YEAR IMPACT</u> <u>FY 2006</u>		<u>TEN YEAR (FY 2006 - FY 2015)</u> <u>CUMULATIVE</u>			<u>REF</u>
	<u>REV REQ</u>	<u>RATE IMPACT</u>	<u>REV REQ</u>	<u>RATE IMPACT</u>	<u>TOTAL COST</u>	
PL 108-18	\$3.2 B	5.4%	\$6.4 B	10.7%	\$93.6 B	ATT A-1
USPS	\$1.3 B	2.2%	\$1.1 B	1.8%	\$57.5 B	ATT A-1
HR 4341	\$2.6 B	4.4%	\$4.0 B	6.7%	\$73.9 B	ATT A-1
HR 4341 - ALT	\$1.3 B	2.2%	\$3.6 B	6.1%	\$70.2 B	ATT C-1
S 2468	\$3.7 B	6.2%	\$1.5 B	2.4%	\$65.9 B	ATT A-1

Revenue Requirement and Rate Impact: reflects the additional revenue required to cover the cost changes by year (proposal costs less PL 108-18 costs excluding the Escrow Requirement).

USPS Preferred Proposal: Pre-fund postretirement health benefit costs (current service cost plus interest on benefit obligation net of interest earnings on plan assets).

Proposal has decreasing rate impact after initial year due to incremental costs decrease in subsequent years.

HR 4341: USPS Proposal + \$1.3 B FY06 prem costs + additional pymt. (2/3 CSRS "savings" less prefund amount).

Proposal increases rates each year through 2015 because additional payment is linked to "savings" amount. Large reduction in rates in 2016 with elimination of \$3.1 B "additional payment"

HR 4341 - ALT: \$3 billion of "additional payment amount" used to pay down debt through 2010 and waivers are not granted.

Proposal has higher 2006 rate impact due to \$1.3 B premium cost. Rates increase rapidly each year from 2010 through 2015 as the "additional payment" increases. Large reduction in rates in 2016 with elimination of \$3.1 B "additional payment".

S 2468: USPS Proposal + \$1.3 B FY06 prem costs+ additional pymt. (1/40 unfunded obligation to reach full funding in 2046 or fund 1/15 of unfunded obligation beginning in 2031).

Proposal has higher 2006 rate impact due to \$1.3 B premium cost and \$1.1 B 1/40 amortization. Rates decrease each year after 2006 as assets in fund grow lowering interest component of cost and "additional payment" remains constant.