

One Hundred Eighth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday,
the seventh day of January, two thousand and three*

An Act

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

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

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)”; and

(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)”;

(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).

(e) MILITARY SERVICE PROPOSALS.—

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

(2) GAO REVIEW AND REPORT.—Not later than 60 days after the Postal Service, the Department of the Treasury, and the Office of Personnel Management have submitted their proposals under paragraph (1), the General Accounting Office shall prepare and submit a written evaluation of each such proposal to the Committee on Government Reform of the House of Representatives and the Committee on Governmental Affairs of the Senate.

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, the Congress, and the General Accounting Office 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.

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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.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*