

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS TAYMAN TO INTERROGATORIES OF  
THE ASSOCIATION OF PRIORITY MAIL USERS, INC.  
(APMU/USPS-T9-1-6(B), 6(D)-7, 9-10)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Association of Priority Mail Users, Inc.: APMU/USPS-T9-1-6(b), 6(d)-7, 9-10, filed on March 21, 2000. Objections to interrogatories APMU/USPS-9-6(c) & 8 were filed on April 3, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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April 4, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF  
ASSOCIATION OF PRIORITY MAIL USERS, INC.**

**APMU/USPS-T-9-1.** With regard to the Postal Service's Civil Service Retirement System ("CSRS") deferred liability,

- a. Please explain how the Postal Service's annual principal and interest payments are determined.
- b. Is any change in the CSRS unfunded retirement liability between the base and the test year incorporated in the roll forward model as a cost level change, mail volume effect change, non-volume workload change, additional workday change, cost reduction change, other program change, or in some other way? Please explain your answer.

**RESPONSE:**

- a. The CSRS Unfunded Liability principal and interest calculations are explained in Chapter VI, Section c., of LR I-127.
- b. As explained on page 15 of my testimony and page 22 of LR I-127, the total year to year change is reflected in the other program column. This is due to the fact that the changes in CSRS Unfunded Liability expense are not easily categorized under any other source of change category.

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**APMU/USPS-T-9-2.** Please confirm the following statements regarding the Postal Service's expense for amortized CSRS expenses in the base year. If you do not confirm, please explain in full your reason(s).

- a. The base year amortized CSRS expense of \$1,141 million is the sum of the principal payments for liabilities accrued in the years 1972 through 1998 as indicated in USPS-LR-I-127, sheet CSRS\_00.xls
- b. The base year amortized CSRS interest expense of \$1,306 million is the sum of the interest payments for liabilities accrued in the years of 1972 through 1998 as indicated in USPS-LR-I-127, sheet CSRS\_00.xls.
- c. In each of the years 1972 through 1998, the sum of the interest and principal payments for the year within which the liability was accrued has been the same since the liability was incurred. For example, the expense payment of \$62.991 million for the 1972 liability has remained constant since 1972, and the expense payment of \$41.994 million for the 1973 liability has remained constant since 1973.

**RESPONSE:**

- a. Confirmed. The FY 98 CSRS unfunded liability expense represents the sum of the annual payments on liabilities accrued in the years FY 72-98. This amount is divided into principal and interest. The principal portion of the base year expense is \$1.141 billion, which is the sum of the principal portions of the annual payments for the years FY 72-98.
- b. Confirmed. The FY 98 interest expense of \$1.306 billion is the sum of the interest portions of the annual payments for the years FY 72-98.
- c. Generally this is true. However, there have been some retroactive adjustments to prior year layers.

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**APMU/USPS-T9-3.**

- a. Is the Federal Employment Retirement System ("FERS") considered a defined benefit, a defined contribution retirement plan, or something else? Please explain.
- b. How are the FERS payments for the base and test years calculated?

**RESPONSE:**

- a. FERS is a three-part pension program. It utilizes Social Security as a base, it provides a basic benefit component which is a defined benefit plan and a voluntary thrift savings plan that is a defined contribution plan.
- b. FERS expenses for the base year represent actual FERS retirement expenses. Test year FERS expenses are estimated as part of personnel costs which have two components of change. First, the average personnel cost is calculated which includes the impact any changes in the FERS retirement rate and the change in FERS retirement costs that result from wage changes. Changes in wages are "rolled up to include the impact of FERS retirement costs and other pay related premium pay and benefits. Changes to average personnel cost (with the exception of the workyear mix adjustment) are reflected in the cost level column of the rollforward. This process is described in Chapter VIII of LR I-127. The second way FERS cost changes are reflected is through changes in the number of workyears. Additional personnel resources (workyears) are estimated due to changes in

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**APMU/USPS-T9-3. continued**

mail volume, non-volume workload, and all other source of changes categories. Personnel costs are reflected in the rollforward, at the average, for estimated changes in resource requirements. FERS costs are included as part of the average cost of each workyear.

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**APMU/USPS-T9-4.** Please explain the relationship between the \$849 million CSRS payment for fiscal year 1998 noted on page 67 of the United States Postal Service 1998 Annual Report, and the Postal Service's fiscal year 1998 payroll expenses.

**RESPONSE:**

The \$849 million reflected on page 67 of the FY 98 Annual Report represents 7% of the basic pay for employees covered by the Civil Service Retirement Fund and is a component of the Postal Service's fiscal year 1998 compensation and benefit expenses.

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**APMU/USPS-T-9-5.** Please explain the relationship between the \$1,241 million dollar fiscal year 1998 Social Security expense noted on page 67 of the United States Postal Service 1998 Annual Report, and the Postal Service's fiscal year 1998 payroll expenses.

**RESPONSE:**

The \$1.241 billion reflected on page 67 of the FY 98 Annual Report represents 6.2% of total pay for employees covered by Social Security (up to the limit per employee set by regulation) and is a component of the Postal Service's fiscal year 1998 compensation and benefit expenses.

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**APMU/USPS-T-9-6.**

For fiscal year 1998, please provide,

- a. The total number of Postal Service annuitants;
- b. The number of new annuitants in fiscal year 1998;
- c. The total number of Postal Service annuitants categorized by year of separation from the Postal Service (i.e., the number who left in 1998, 1997, 1996 and so forth); and
- d. The average number of years of service for current annuitants.

**RESPONSE:**

- a. As reflected on page 288 of LR I-127, the number of Postal Service CSRS annuitants at the end of FY 98 was 486,535. There are also FERS annuitants for which the Postal Service incurs no additional retirement cost beyond the basic employer contributions made while the employees were working.
- b. As reflected on page 288 of LR I-127, the number of new Postal Service CSRS annuitants in FY 98 was 12,646.
- c. Objection filed.
- d. The base year (FY 98) average years of service for retired annuitants and survivor annuitants is 28.4 and 26.3 respectively. This can be calculated from the total years of service and the number of claimants on page 290 of LR I-127.



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**APMU/USPS-T-9-7.** How was the \$849 million CSRS payment for fiscal year 1998, noted on page 67 of the United States Postal Service 1998 Annual Report, calculated?

**RESPONSE:**

The \$849 million shown on page 67 of the United States Postal Service 1998 Annual Report represents the Postal Service share of Civil Service Retirement contributions which represents 7% of the basic pay for employees covered by the Civil Service Retirement Fund . This amount represents the total expense reflected in general ledger account 51212 for GFY 1998.

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**APMU/USPS-T-9-8.** Please provide the number of current CSRS-covered employees who were employed by the Postal Service in each of the years 1972 through 1998.

**RESPONSE:**

Objection filed.

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**APMU/USPS-T-9-9.**

- a. In 1998, the Office of Personnel Management ("OPM") determined that the Postal Service's 1998 liability for deferred CSRS payments was \$835.936 million dollars. (Tayman, USPS-LR- I-127, worksheet CSRS-00.xls) Please confirm that this is the Postal Service's deferred liability for 1998.
- b. Please confirm that OPM provided similar estimates for all previous years, and provide those estimates.
- c. Please provide a copy of the document provided by OPM to the Postal Service in which the Postal Service's liability is estimated for each year from 1992 to the present.
- d. Please describe how OPM calculates the Postal Service's deferred liability.
- e. Please describe how OPM estimates the Postal Service's deferred CSRS liability that was estimated for each year since 1972.

**RESPONSE:**

- a. Not confirmed. \$836 million is the liability related to pay increases that occurred in FY 98 only. The total liability at the end of FY 1998 was \$26.1 billion.
- b. Confirmed. Comparable numbers for FY 94-97 can be found on pages 273 and 274 of LR I-127. For FY's 72-93 the additional unfunded liability layers added by Fiscal Year are reflected in the table below.

FY	\$ millions	FY	\$ millions	FY	\$ millions	FY	\$ millions
72	1,017	78	809	84	363	90	662
73	678	79	2,637	85	5,625	91	1,883
74	1,117	80	633	86	946	92	1,901
75	537	81	523	87	803	93	731
76	2,880	82	1,825	88	2,654		
77	1,039	83	1,208	89	811		

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**APMU/USPS-T-9-9. continued**

- c. The Postal Service calculates the CSRS unfunded liability created by increases in basic pay based on the methodology mutually agreed upon by OPM and the Postal Service. The calculations are submitted to OPM, OPM reviews the calculations, and then bills the Postal Service. A copy of the CSRS unfunded liability calculations provided to OPM for FY 98 are included in Chapter 9 of LR I-270. Calculations for FY's 92-97 used the same basic methodology.
- d. See my response to part c.
- e. See my response to c. The basic methodology has been the same since the mid 1970's.

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**APMU/USPS-T-9-10.**

Please confirm that each of the following base year expenses constitute benefit expenses for individuals who were not working at the Postal Service in Fiscal year 1998. If you do not confirm, please explain and provide a breakdown of these costs between benefits for employees working at the Postal Service in FY 1998 and non-employees in FY 1998:

- a. Cost Segment 18.3.6, retiree health benefits.
- b. Cost Segment 18.3.7, annuitant life insurance.
- c. Cost Segment 18.3.8, annuitant COLA/principal.
- d. Cost Segment 18.3.9, annuitant protection program.

**RESPONSE:**

a.-d. Confirmed.

**DECLARATION**

I, William P. Tayman, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

William P. Tayman

Dated: 3-4-2000

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
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Scott L. Reiter

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April 4, 2000