

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-T9-11-23, 26-28(B))

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-T9-11-23, 26-28(b), filed on March 23, 2000. Objections to interrogatories APMU/USPS-9-11(d) (in part), 24, 25, 28(c) & (d) were filed on April 3, 2000. The objection also included interrogatories 26 and 27, but those are being answered, as indicated in the objection.

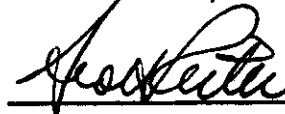
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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April 5, 2000

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

APMU/USPS-T-9-11.

Please provide as a library reference the following documents referenced on the spreadsheet "input" that is part of the workbook ACOLA-OO.xls in USPS-LR-I-127.

- a. Office of Personnel Management ("OPM") letter dated September 30, 1998 providing the base year total billing from OPM and the base year COLA layer.
- b. OPM letter dated July 14, 1999 and attachments providing the 15 year amortization factor.
- c. OPM facsimile dated June 14, 1999 providing present value of base year annuitant COLA benefits.
- d. The complete CPI-W data in the DRI/McGraw Hill USSIM Trend 25 year dated November 1999 including a forecast for CPI-W through 2008.
- e. OPM facsimile dated June 14, 1999 that was used to estimate future distribution of base year population.
- f. Document provided by the Postal Service's Employee Relations identifying the the [sic] Postal Service employee retirement rate factor.
- g. Document prepared by the Postal Service's Employee Relations providing the average age of employees retiring in FY 1998.
- h. OPM facsimile dated June 14, 1999 that provided the death rates.
- i. OPM facsimile dated June 14, 1999 that provided the survivor benefit election rate.
- j. The data included in the base year annuitant profile tape provided by OPM at the end of the calendar [sic] year.
- k. OPM bill for Annuitant [sic] Health Benefits presented to the Postal Service in September 1998.
- l. OPM response to memorandum dated May 14, 1999 regarding estimates of premium changes.
- m. Postal Service letter or memorandum that prompted the OPM response noted in Part (1).
- n. OPM facsimile dated June 14, 1999 listing the number of annuitants eligible to participate in FEHB.

RESPONSE:

- a. See Chapter 1 of LR I - 270.
- b. See Chapter 2 of LR I - 270.

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

APMU/USPS-T-9-11. continued

- c. See Chapter 3 of LR I – 270.
- d. The complete CPI-W forecast by month for the period January 97 – December 01 is available on page 457-460 of LR I-127. An objection was filed to providing forecasted DRI for the period beyond the test year.
- e. See Chapter 4 of LR I –270.
- f. The retirement rate factor is calculated by the model. See Chapter 5 of LR I - 270 for the number of retirements in the base year.
- g. See Chapter 5 of LR I - 270.
- h. See Chapter 3 of LR I - 270.
- i. See Chapter 3 of LR I - 270.
- j. See Chapter 6 of LR I – 270.
- k. See Chapter 7 of LR I – 270.
- l. See Chapter 8 of LR I - 270. The Postal Service judgmentally adjusted the OPM forecast for annuitant health benefit premiums from 8.3% to 9.4% for FY 2000, and from 8.2% to 9.7% for FY 2001. The actual average change in annuitant health benefit premiums for FY 2000 was 9.4%.
- m. See Chapter 8 of LR I - 270.
- n. See Chapter 3 of LR I – 270.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-12.

Worksheet Liability - COLA in workbook Acola-00.XLS in Postal Service Library Reference LR-I-127 lists the annual experience payment for annuitant CSRS COLAS for the years 1980 through 2001. Please provide documentation identical to that contained in workbook ACOLA_00.xls in USPS-LR-I-127 that describes how the annuitant COLA liability expense for the years 1984 through 1997 are calculated.

RESPONSE:

Detailed calculations of COLA liabilities and expenses in the same format as that produced by the model do not exist. The model is used to develop estimates. The historical calculation of actual liabilities and payments was done by OPM. OPM does not provide the Postal Service with the detailed calculations. The Postal Service is provided with the liability and payment required in the form of a bill.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-13.

Please provide a narrative description of the methodology used to calculate item 5 **“USPS SHARE of FEHB PREMIUMS In FUTURE YEARS APPORTIONED FOR USPS SERVICE AT ESTIMATE YEAR RATE”** contained in worksheet, Calculations-Health Ben., workbook ACOLA_00.xls in USPS-LR-I-127.

RESPONSE:

As explained on pages 285 and 286 of LR I-127, USPS Annuitant Health Benefits are apportioned so that costs related to military service and service that occurred prior to July 1, 1971 is excluded. Average health benefit premiums for FY 1999, 2000 and 2001 were first estimated at the rate of apportionment that was applied in the base year. These amounts were then adjusted upward, to account for the fact that the portion of Postal annuitant health benefit premiums that will apply to the Postal Service in the estimate years will increase.

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APMU/USPS-T-9-14.

Please provide a narrative description of the methodology used to calculate item 6 **"CALCULATION OF ANNUITANT HEALTH BENEFIT APPORTIONMENT FACTOR"** contained in worksheet, Calculations-Health Ben., workbook ACOLA_00.xls in USPS-LR-I-127.

RESPONSE:

This section calculates the estimated apportionment factor for FY's 1999, 2000, and, 2001, and the percentage change over the base year apportionment factor for each estimated apportionment factor

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APMU/USPS-T-9-15.

Please see note "a" in the section "II. Notes on Updating the Model for Base Years Other than 1994" in worksheet "Documentation" in the workbook ACOLA_00.xls in USPS-LR-I-127 and confirm that the initial base year for which the model was used was 1994. If you do not confirm, please explain.

RESPONSE:

Confirmed. However, please note that the FY 94-97 liability tables reflected on pages 299-301 of LR I-127 are simply historical data and the detailed data are not required to estimate FYs 99-01.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-16.

Please explain the methodology and provide the calculation used to estimate the 1998 Civil Service Retirement System ("CSRS") retirement rate of 4 percent that is included in section 5, employee retirement rate factor of worksheet "Input" in the workbook ACOLA_00.xls in USPS-LR-I-127.

RESPONSE:

As explained in the notes on page 288 of LR I-127, the retirement rate is calculated by dividing the number of CSRS employees who retired during the base year (12,646) by the population of employees covered by the CSRS at the beginning of the base year (327,968), rounded up to the nearest full percent.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-17.

Please describe the methodology and provide the calculation used to estimate the employee retirement rate factor of 1.14 percent that is included in section 5, employee retirement rate factor of worksheet "Input" in the workbook ACOLA_00.xls in USPS-LR- I-127.

RESPONSE:

The methodology used to calculate the retirement rate factor of 1.14% is described in Section 5 on page 288 of LR I-127. The calculation along with additional methodology notes are shown in Section II a. on page 308 of LR I-127.

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

APMU/USPS-T-9-18.

- a. Please indicate the whether the calculations contained in the workbook ACOLA_00.xls in USPS-LR-I-127 are audited by the Postal Service's external auditor, the inspector general, OPM, and/or other government agencies.
- b. If a government agency other than OPM audits the calculation contained in ACOLA_00.xls in LR I-127, please identify the agency.
- c. Please provide any audit reports, documents or memorandum relating to audits of the calcuations [sic] of the information contained in ACOLA_00.xls in USPSD[sic]-LR-I-127.

RESPONSE:

a.-c. The estimates generated by the subject model pertain to future years and have not been audited.

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

APMU/USPS-T-9-19.

Please provide a copy of the following documents referenced on the spreadsheet "input" that is part of the workbook CSRS-QO.xls in USPS-LR-I-127:

- a. Report - Civil Service Deferred Retirement Liability, September 30, 1998;
- b. Calculation attachment to FY 98 OPM letter (Report AAN 150PS);
- c. Documents identified as NPHSR Ref. Nos. 1620 and 1630, ORPES: A/P13 FY 1998;
- d. OPM facsimile dated June 14, 1999 that provided the Unfunded liability factors;
- e. Document provided by OPM providing the amortization factors identified in item 6; and
- f. Document prepared by OPM providing [sic] the interest rates identified in item 7.

RESPONSE:

- a. See chapter 9 of LR I - 270. Please note that the CSRS unfunded liability and annual payment were revised subsequent to the receipt of the OPM bill on 9/30/98. Based on OPM's instructions, the additional FY 98 amount was paid along with the FY 99 bill.
- b. See chapter 9 and 12 of LR I - 270.
- c. See chapter 10 of LR I - 270.
- d. See chapter 3 of LR I - 270.
- e. See chapter 11 of LR I - 270.
- f. See chapter 11 of LR I - 270.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-20.

In the worksheet "calculations," within section 2, Total Increase in Basic Pay in the workbook CSRS_00.xls in USPS-LR-I-127, there is an increase to Basic Pay No. 1 and Basic Pay No. 2 for only City Carriers and an increase in Basic Pay No. 3 for Mail Handlers, Rural Carriers, City Carriers and Clerks. Please explain why only City Carriers have an increase in all three types of Basic Pay.

RESPONSE:

The city carrier labor contract covers FY 2001 and provides for COLAs on 3/10/01 and 9/8/01 which are reflected as Increases to Basic Pay Nos. 1 and 2 in FY 2001. At the time the estimates were developed, labor contract provisions for all other crafts did not impact FY 2001 due to the expiration dates of these contracts. Consequently the pay assumption used was based on the estimated change in the Employment Cost Index (ECI) less one percent. The FY 2001 ECI related estimates for all crafts except city carriers were reflected under Increase to Basic pay No. 3. For additional details on basic pay assumptions, see page 363 of LR I-127.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-21.

In the worksheet "calculations," within section 2, Total Increase in Basic Pay in the workbook CSRS_00.xls in USPS-LR-I-127, there is no increase in any type of Basic Pay category for all other bargaining and non-bargaining categories.

RESPONSE:

All other bargaining employees are included with clerks. Please refer to Section 1b. on page 263 of LR I-127. Non-bargaining employees are not scheduled or assumed to receive any increases in the types of basic pay which result in the creation of an unfunded liability (i.e. general pay increases and COLA). Non-bargaining wage changes are limited to merit increases and variable pay lump sums, neither of which results in a CSRS unfunded liability.

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

APMU/USPS-T-9-22.

Please confirm that the annual increase in the CSRS unfunded retirement liability that is calculated in CSRS_00.xls in USPS-LR-I-127, only accounts for increases in pay of city carriers, rural carriers, clerks, and mailhandlers. If you do not confirm, please explain. Please explain why no Basic Pay increase estimates are associated with these labor categories in this worksheet.

RESPONSE:

Please see my response to APMU/USPS-T-9-21.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
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APMU/USPS-T-9-23.

- a. Please confirm that the 1998 payment in the CSRS unfunded retirement liability that is calculated in CSRS-00.xls in USPS-LR-I-127, worksheet Calculations in section 6, Annual Payment/Expense is \$56,029,000 rounded to the thousand dollar amount. If you do not confirm, please explain.
- b. Please confirm that 1998 expense for the CSRS unfunded retirement liability that is presented in Meehan workpaper A-2 pp. 123-124 is \$64.179 million. If you do not confirm, please explain.
- c. Please explain the difference in the two figures.

RESPONSE:

- a. Not confirmed. The estimated amount of \$56,029,000 reflected in section 6 is for FY 99, not FY 98. The amount reflected in this model for FY 98 current year costs is \$51,789,000.
- b. Confirmed.
- c. The total FY 98 principal cost of \$1,141,085,000 is correct. The correct amount for the current year portion is \$51,789,000. The difference should be reflected as a prior year cost.

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APMU/USPS T-9-26.

Workbook ACOLA_00.xls in USPS-LR-I-127, worksheet Calculations - COLA, contains (i) Table 6., Calculation of Weighted Average Decay Rates for New Annuitants, and (ii) Table 7, Calculation of Annuitant Survivor Addition Rates. Please provide data to complete these tables for a 30 year period, rather than the 10 years set out in the worksheet.

RESPONSE:

See Chapter 3 of LR I -270.

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

APMU/USPS T-9-27.

Workbook ACOLA_00.xls in USPS-LR-I-127, worksheet Input, contains Table 7, Decay Rates for New Annuitant Layers. Please provide data to complete this table for a 30 year period, rather than the 10 years set out in the worksheet.

RESPONSE:

See Chapter 3 of LR I -270.

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

APMU/USPS T-9-28. Section 10 of worksheet Input of workbook ACOLA_00.xls of LR-I-127 lists the number of annuitants and the total number of years of Post 1971 Civilian Service (USPS) for both "retired annuitants" and "survivor annuitants."

- a. Please confirm that the average number of Post 1971 civilian service (USPS) years for retired annuitants is 13.94 years. (Post 1971 civilian service (USPS) total years divided by No. of Claimants.) If you do not confirm, please explain and provide the correct figure.
- b. Please confirm that the average number of Post 1971 civilian service (USPS) years for retired annuitants is 8.85 years. (Post 1971 civilian service (USPS) total years divided by No. of Claimants.) If you do not confirm, please explain and provide the correct figure.
- c. Please provide an estimate of the average number of years of service for all retired annuitants and an estimate of the average number of years of service for all survivor annuitants for the cohort of retired and survivor annuitants in the years 1971 through 1997.
- d. Please provide an estimate of the average number of years of service for all retired annuitants and an estimate of the average number of years of service for all survivor annuitants for the new retired and survivor annuitants in the years 1971 through 1997.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. The average years of Post 1971 civilian service related to survivor annuitants is 8.85.
- c. Objection filed.
- d. Objection filed.

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: 4/5/00

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.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", is written over a solid horizontal line.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
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April 5, 2000