

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T6-11)

The United States Postal Service hereby provides the response of witness Tayman to the following interrogatory of the Office of the Consumer Advocate, filed on May 3, 2005: OCA/USPS-T6-11.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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May 18, 2005

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OCA/USPS-T6-11. The following interrogatory refers to Appendix A and Exhibit USPS-60 of your testimony as well as USPS-LR-K-50, page 315.

- a. Please confirm that a portion of the \$3.1 billion (\$3,081.016 million) escrow payment scheduled for FY 2006 and required by Public Law 108-18 relates to the requirement to fund postal employees and retirees CSRS benefits earned through military service.
- b. If you are unable to confirm part a of this interrogatory, please explain fully.
- c. If you confirm part a of this interrogatory, please explain how much of the \$3.1 billion escrow payment relates to:
 - (i) CSRS benefits earned through military service, and
 - (ii) CSRS benefits not earned through military service.
- d. For parts c(i) and c(ii) of this interrogatory, please show the derivation of all calculated values, cite all source documents and provide copies of source documents not previously provided in this docket. Please state any assumptions made in preparing page 315 of LR-K-50 or responding to part c of this interrogatory.

Response:

- a. Not confirmed.
- b. As explained on page 11, line 2 of my testimony the escrow, ““savings” are determined as the annual difference between what the Postal Service would have paid annually into the CSRDF prior to Public Law 108-18 less the amount paid after application of the new funding provisions of the law.” I further explain on page 12, line 4 that “the amount of the escrow expense is arbitrarily determined in the sense that it represents the difference between the funding requirement relating to a legitimate estimate of Postal Service’s CSRS obligations and an estimate of these obligations that was determined to be substantially in error.” Also explained on page 9 of my testimony is the basis for correcting the \$105 billion over funding that would have resulted had the

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then current funding mechanism remained in place. The new funding mechanism consists of dynamic normal cost contributions of totaling 24.4% (17.4% employer and 7.0% employee contribution) and a supplemental liability to cover any excess of the actuarial present value of the postal Service CSRS obligations over the fund balance and future normal cost payments, including earnings on those payments. Thus, the combination of payments made in prior years, actual interest earnings and the new funding mechanism, not the escrow payment, covers the \$27 billion in CSRS obligations related to current and former employees' military service transferred to the Postal Service under Public Law 108-18.

c. See my responses to a and b.

d. See my responses to a and b. As noted in the LR K-50 Table of Contents (page 3), the work paper included at pages 314 and 315 was prepared by the Office of Personnel Management, as required by Public Law 108-18.

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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