

**Frequently Asked Questions on the Civil Service Retirement and Disability Fund
and the Postal Service Retiree Health Benefit Fund
May 20, 2013**

1. What is the Civil Service Retirement and Disability Fund (CSRDF)?

The CSRDF provides defined benefits to retired and disabled Federal employees covered by the Civil Service Retirement System.

2. How does the debt ceiling affect the CSRDF?

The CSRDF is invested in special-issue Treasury securities, which count against the debt limit. In 1986, Congress provided Treasury statutory authority to take certain actions in the event that the outstanding debt reaches the debt limit. Specifically, the statute authorizes Treasury to suspend investment of new amounts received by the CSRDF when the Secretary of the Treasury determines that additional investments cannot be made without exceeding the debt limit. In addition, Treasury can redeem a certain amount of existing investments held by the CSRDF when the Secretary of the Treasury determines that a “debt issuance suspension period” exists.

3. What are the investments in the CSRDF that Treasury can redeem?

The statute governing the CSRDF gives Treasury authority to redeem existing Treasury securities held by the CSRDF in an amount up to the amount of civil service benefit payments authorized to be made from the CSRDF during the debt issuance suspension period. Treasury makes approximately \$6.4 billion in civil service benefit payments from the CSRDF each month. Therefore, the total amount of investments that Treasury can redeem is equal to approximately \$6.4 billion multiplied by the number of months in the debt issuance suspension period.

4. What is the length of the “debt issuance suspension period”?

Under the statute that governs the CSRDF, the term “debt issuance suspension period” means the period of time that the Secretary of the Treasury determines that Treasury securities cannot be issued without exceeding the debt limit. The determination of the length of the period is based on the facts as they exist at the time of the determination. The Secretary has determined that a debt issuance suspension period exists starting on May 20, 2013, and ending on August 2, 2013.

5. How much headroom will this redemption action regarding the CSRDF provide?

This redemption action provides approximately \$19 billion in headroom under the debt limit.

6. What are the new investments in the CSRDF that Treasury can suspend?

The statute authorizes Treasury to suspend the investment of new amounts received by the CSRDF. New receipts include contributions from Federal employees and agency employers, as well as the interest payments on securities held by the CSRDF and the proceeds of maturing securities.

The CSRDF receives approximately \$2 billion in new employer and employee contributions each month. In addition, on June 30, approximately \$58 billion in CSRDF investments mature and an interest payment of approximately \$16 billion is scheduled to be made to the fund.

7. What impact will these actions have on Federal employees and their retirement benefits?

By law, the CSRDF will be made whole once the debt limit is increased. Benefits for retired and disabled Federal employees will not be affected by this action and will continue to be paid. Once all of the extraordinary measures that are available to preserve lawful borrowing authority without exceeding the debt limit have been exhausted, however, the U.S. Government will be limited in its ability to make payments across the government.

8. Has Treasury ever redeemed existing investments and suspended new investments in the CSRDF before?

Yes, in the past 20 years, Treasury used these extraordinary measures during previous debt limit impasses in 1995-1996, 2002, 2003, 2004, 2006, 2011, and 2012-2013.

9. How do these actions relate to the Postal Service Retiree Health Benefit Fund (PSRHBF)?

The Postal Accountability and Enhancement Act of 2006 requires that investments in the PSRHBF shall be made in the same manner as investments for the CSRDF.

10. What are the new investments of the PSRHBF that can be suspended?

Currently, the PSRHBF does not have daily receipts or investments. On June 30, 2013, approximately \$4 billion in PSRHBF investments mature and an interest payment of approximately \$1 billion is scheduled to be made to the fund.

11. Does the fact that you're declaring a debt issuance suspension period only through August 2, 2013 mean that Treasury will exhaust its extraordinary measures on August 2, 2013?

The statute governing the CSRDF gives Treasury authority to redeem existing Treasury securities held by the CSRDF in an amount up to the amount of civil service benefit

payments authorized to be made from the CSRDF during the debt issuance suspension period. Under the statute that governs the CSRDF, the term “debt issuance suspension period” means the period of time that the Secretary of the Treasury determines that Treasury securities cannot be issued without exceeding the debt limit. The determination of the length of the period is based on the facts as they exist at the time of the determination. The Secretary has determined that a debt issuance suspension period exists starting on May 20, 2013 and ending on August 2, 2013, the last day that Congress is expected to be in session before Labor Day.

As Secretary Lew previously stated, the extraordinary measures will last until after Labor Day; however it is not possible to predict more precisely the effective duration of these measures.

12. Are you also deploying the rest of the extraordinary measures right now (e.g. G-Fund, ESF)? When do you expect to employ those?

Treasury expects to provide additional guidance regarding the extraordinary measures moving forward.