



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

January 27, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Mr. Leader:

Title 5 of the United States Code requires the Secretary of the Treasury to report to Congress on the operation and status of certain federal fund accounts during any debt issuance suspension period. Enclosed is the report covering the operation and status of the federal fund accounts described in the report during the most recent debt issuance suspension period. As directed by law and explained in the report, Treasury has fully restored the federal fund accounts to the condition they would have been in had there not been a debt issuance suspension period.

Sincerely,

Richard L. Gregg
Fiscal Assistant Secretary

Identical letter sent to:

The Honorable John A. Boehner, Speaker of the House
The Honorable Nancy Pelosi, House Democratic Leader
The Honorable Mitch McConnell, Senate Republican Leader

Cc: The Honorable Dave Camp, Chairman, House Committee on Ways and Means
The Honorable Sander M. Levin, Ranking Member, House Committee on Ways
and Means
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Orrin Hatch, Ranking Member, Senate Committee on Finance

Enclosure

**Report on Fund Operations and Status
From May 16, 2011 to December 30, 2011
Pursuant to 5 U.S.C. §§ 8348(l)(1) & 8909a(c)**

January 27, 2012

On May 16, 2011, the outstanding debt subject to limit reached the statutory limit of \$14,294 billion. On the same day, Secretary Timothy F. Geithner notified Congress of his determination that a “debt issuance suspension period” would begin on that day, May 16, 2011, and last until August 2, 2011. On August 2, 2011, President Obama signed legislation (P.L. 112-25) increasing the statutory limit to \$14,694 billion.

Legal Authorities and Requirements:

- Section 8348(j)(1) of Title 5, United States Code authorizes the Secretary to “suspend additional investment of amounts in the [Civil Service Retirement and Disability Fund (CSRDF)] if such additional investment could not be made without causing the public debt of the United States to exceed the public debt limit.” The statute defines a “debt issuance suspension period” as any period for which the Secretary determines that the issuance of obligations of the United States may not be made without exceeding the public debt limit.
- Section 8348(k)(1) of Title 5, United States Code authorizes the Secretary to “sell or redeem securities, obligations, or other invested assets of the [CSRDF] before maturity in order to prevent the public debt of the United States from exceeding the public debt limit.” The Secretary may redeem such investments only during a debt issuance suspension period, and only to the extent necessary to obtain an amount of funds up to the total amount of payments authorized to be made from the CSRDF during such period.
- Section 8348(j)(3) requires the Secretary, upon expiration of a debt issuance suspension period, to immediately issue to the CSRDF obligations that “bear such interest rates and maturity dates as are necessary to ensure that, after such obligations are issued, the holdings of the [CSRDF] will replicate to the maximum extent practicable the obligations that would then be held by the [CSRDF] if the suspension of investment ... and any redemption or disinvestment ... had not occurred.” Section 8348(j)(4) further requires the Secretary, on the first normal interest payment date after the expiration of the debt issuance suspension period, to pay to the CSRDF any interest that would have been earned, during the debt issuance suspension period.
- Section 8348(l)(1) requires submission of a report to Congress on the operation and status of the CSRDF during a debt issuance suspension period. The report is to be made “as soon as possible after the expiration of such period, but not later than the date that is 30 days after the first normal interest payment date occurring after the expiration of such period.” The first normal interest payment date after August 2, 2011 was December 30, 2011. This document fulfills this requirement.
- Section 8909a(c) states that investments of the Postal Service Retiree Health Benefit Fund (PSRHBF) “shall be made in the same manner” as investments for the CSRDF under section 8348.

Operations and Status: On May 16, 2011, in connection with the declaration of the debt issuance suspension period, the Secretary redeemed securities of the CSRDF totaling \$17,100,000,000. These holdings were redeemed earlier than otherwise required in order to avoid exceeding the debt limit. In addition, throughout the period of May 16 through August 2, new CSRDF and PSRHBF receipts were not invested in order to keep from exceeding the debt limit. Steps were taken on August 2 and December 30, as appropriate, to replicate the portfolio the CSRDF and PSRHBF would have held if the debt issuance suspension period had not occurred. A summary of the operations and status of the CSRDF and PSRHBF between May 16 and December 30 is included as Attachment 1.

Richard L. Gregg
Fiscal Assistant Secretary

Daily Transaction Detail Report on Fund Operations and Status From May 16, 2011 to December 30, 2011					
Date	Civil Service Retirement and Disability Fund			Postal Service Retiree Health Benefit Fund	Notes
	Daily		Other Transactions	Other Transactions	
	Investments Suspended	Redemptions Not Processed			
May 16, 2011	\$876,000	\$3,092,000	\$17,100,000,000		1
May 17, 2011	\$125,057,000				
May 18, 2011	\$25,490,000	\$3,695,000			
May 19, 2011	\$424,105,000	\$2,658,000			
May 20, 2011	\$1,363,000	\$1,463,000			
May 23, 2011	\$13,714,000	\$3,971,000			
May 24, 2011	\$657,000	\$2,087,000			
May 25, 2011	\$1,642,000	\$120,000			
May 26, 2011	\$576,000	\$1,117,000	\$5,536,814,000		2
May 27, 2011	\$471,257,000	\$12,210,000	\$5,693,696,000		3
May 31, 2011	\$137,606,000	\$8,530,000	\$11,230,510,000		4
June 1, 2011	\$3,097,000	\$5,710,150,000			5
June 2, 2011	\$438,329,000	\$94,000			
June 3, 2011	\$545,000	\$14,441,000			
June 6, 2011	\$2,587,000				
June 7, 2011	\$12,025,000				
June 8, 2011	\$1,330,000	\$460,000			
June 9, 2011	\$236,000	\$6,984,000			
June 10, 2011	\$470,572,000	\$178,000			
June 13, 2011	\$1,511,000	\$2,741,000			
June 14, 2011	\$121,728,000	\$3,483,000			
June 15, 2011	\$25,277,000	\$30,562,000			
June 16, 2011	\$424,048,000	\$1,506,000			
June 17, 2011	\$820,000	\$2,301,000			
June 20, 2011	\$1,225,000	\$3,412,000			
June 21, 2011	\$1,657,000	\$2,014,000			
June 22, 2011	\$886,000	\$4,437,000			
June 23, 2011	\$1,267,000	\$1,754,000			

Daily Transaction Detail Report on Fund Operations and Status From May 16, 2011 to December 30, 2011					
Date	Civil Service Retirement and Disability Fund		Postal Service Retiree Health Benefit Fund	Notes	
	Daily		Other Transactions		
	Investments Suspended	Redemptions Not Processed			Other Transactions
June 24, 2011	\$346,150,000	\$13,338,000			
June 27, 2011	\$1,042,000	\$1,773,000			
June 28, 2011	\$121,872,000	\$1,891,000			
June 29, 2011	\$11,727,000	\$1,662,000			
June 30, 2011	\$440,806,000	\$831,000	\$80,478,804,000	\$9,533,347,000	6
July 1, 2011	\$1,920,000	\$5,722,396,000			7
July 5, 2011	\$1,204,000	\$2,563,000			
July 6, 2011	\$1,542,000	\$9,885,000			
July 7, 2011	\$10,739,000	\$2,399,000			
July 8, 2011	\$331,418,000	\$1,687,000			
July 11, 2011	\$8,495,000	\$2,974,000			
July 12, 2011	\$121,805,000	\$2,279,000			
July 13, 2011	\$26,752,000				
July 14, 2011	\$424,844,000	\$1,729,000			
July 15, 2011	\$768,000	\$27,258,000			
July 18, 2011	\$2,389,000	\$7,252,000			
July 19, 2011	\$674,000	\$2,744,000			
July 20, 2011	\$1,507,000	\$4,346,000			
July 21, 2011	\$192,000	\$1,750,000			
July 22, 2011	\$346,575,000	\$9,869,000			
July 25, 2011	\$374,000	\$2,380,000			
July 26, 2011	\$122,071,000	\$1,356,000			
July 27, 2011	\$11,556,000	\$182,497,000			
July 28, 2011	\$438,331,000	\$480,000			
July 29, 2011	\$1,075,000	\$694,000			
August 1, 2011	\$1,829,000	\$5,270,507,000	\$462,375,000		8
August 2, 2011			\$85,965,944,000	\$9,533,347,000	9
December 30, 2011			\$516,907,000	\$21,547,000	10

**Notes from the Daily Transaction Detail
Report on Fund Operations and Status
From May 16, 2011 to December 30, 2011**

1. **May 16, 2011:** Secretary Geithner notified Congress that a “debt issuance suspension period” (DISP) would begin on May 16, 2011 and last until August 2, 2011. [5 U.S.C. § 8348(1)(2)]. On that day:
 - Treasury did not invest \$876,000 in new receipts.
 - Treasury redeemed \$17,100,000,000 from a 2-7/8 percent Special Issue Bond maturing June 30, 2025. Also, Treasury did not redeem \$3,092,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.

2. **May 26, 2011:**
 - Treasury did not invest \$576,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$1,117,000, which represents a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
 - As a result of a drop in the level of the debt subject to limit, Treasury reinvested \$5,536,814,000, which represented a portion of the amount originally redeemed from the CSRDF on May 16 at the beginning of the DISP.

3. **May 27, 2011:**
 - Treasury did not invest \$471,257,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$12,210,000, which represents a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
 - As a result of a drop in the level of the debt subject to limit, Treasury reinvested \$5,693,696,000, which represented a portion of the amount originally redeemed from the CSRDF on May 16 at the beginning of the DISP.

4. **May 31, 2011:**
 - Treasury did not invest \$137,606,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$8,530,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
 - Treasury redeemed \$11,230,510,000 reinvested on May 26 and May 27 but originally redeemed from the CSRDF on May 16 at the beginning of the DISP.

- 5. June 1, 2011:**
- Treasury did not invest \$3,097,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$5,710,150,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
- 6. June 30, 2011:**
- Treasury did not invest \$17,416,286,000 in semi-annual interest paid to the CSRDF on June 30.
 - Treasury did not invest \$808,879,000 in semi-annual interest paid to the PSRHBF on June 30.
 - Treasury did not invest \$63,062,518,000 in securities maturing, and eligible for rollover, to the CSRDF on June 30.
 - Treasury did not invest \$8,724,468,000 in securities maturing, and eligible for rollover, to the PSRHBF on June 30.
 - Treasury did not invest \$440,806,000 in other new receipts to the CSRDF.
 - Treasury did not redeem \$831,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
- 7. July 1, 2011:**
- Treasury did not invest \$1,920,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$5,722,396,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
- 8. August 1, 2011:**
- Treasury did not invest \$1,829,000 in new receipts to the CSRDF.
 - Treasury did not redeem \$5,270,507,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP. Treasury considered this amount to be already included in the DISP redemption.
 - Treasury redeemed \$462,375,000, which represented the amount needed to make the remainder of the benefit payment from the fund this day.
- 9. August 2, 2011:** The President signed legislation (The Budget Control Act of 2011, P.L. 112-25), resulting in an increase of the statutory debt limit from \$14,294 billion to \$14,694 billion. Upon expiration of the DISP, the Secretary issued obligations that ensured the holdings of the CSRDF and the PSRHBF replicated to the maximum extent practicable the obligations the funds would have held if the DISP had not occurred. [5 U.S.C. 8348(j)(3)]
- Treasury invested \$84,109,884,000 of principal in the CSRDF in accordance with the established rollover investment plan for the fund in effect on June 30. This represented the June 30 maturing principal and interest payments which were not reinvested in the fund during the DISP and receipts not invested between May 16 and June 30.

- Treasury invested \$1,856,060,000 in the CSRDF in a 2¼ percent certificate of indebtedness maturing June 30, 2012. This represented receipts not invested during the DISP between July 1 and August 1. (Additionally, the requests from the Office of Personnel Management for the investment of \$1,223,000 and the redemption of \$2,538,000 were processed as requested.)
 - Treasury redeemed \$17,100,000,000 from current Certificates of Indebtedness and bonds, using normal redemption rules.
 - Treasury reinvested \$17,100,000,000 in the CSRDF in the 2-7/8 percent bond maturing June 30, 2025. This represented principal from the redemption on May 16 that was used to make benefit payments during the DISP. (Had there been no DISP, benefit payments would have been paid through normal redemption rules.)
 - Treasury invested \$9,533,347,000 of principal in the PSRHBF in accordance with the established rollover investment plan for the fund in effect on June 30. This represented the June 30 maturing principal and interest payments which were not reinvested in the fund during the DISP.
10. **December 30, 2011:** 5 U.S.C. 8348(j)(4) requires the Secretary to pay the amount of interest that would have been earned by the CSRDF if the DISP had not occurred on the first normal interest payment date following the expiration of the DISP. Since December 31, 2011, the first normal interest payment date following the expiration of the DISP, is a non-business day, the interest payment was made on this day.
- Treasury invested \$516,907,000 in the CSRDF. This investment represents interest foregone during the period of the DISP, May 16 to August 2, and accrued since August 2.
 - Treasury invested \$21,547,000 in the PSRHBF. This investment represents interest foregone during the period of the DISP, May 16 to August 2, and accrued since August 2.