DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

July 26, 2013

The Honorable John A. Boehner
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Boehner:

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 relevant federal fund accounts during the debt issuance suspension period that ended on February 4, 2013. As directed by law and explained in the report, Treasury has fully restored the federal fund accounts to the position they would have been in had there not been a debt issuance suspension period.

Sincerely,

Alastair Fitzpayne

Alastair M. Fitzpayne
Assistant Secretary for Legislative Affairs

Enclosure

Identical letter sent to:
The Honorable Nancy Pelosi
The Honorable Harry Reid
The Honorable Mitch McConnell

cc: The Honorable Dave Camp
The Honorable Sander M. Levin
The Honorable Max Baucus
The Honorable Orrin Hatch

Report on Fund Operations and Status
From December 31, 2012 to June 28, 2013
Pursuant to 5 U.S.C. §§ 8348(l)(1) & 8909a(c)

July 26, 2013

On December 31, 2012, the outstanding debt subject to limit reached the statutory limit of $16,394 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, December 31, 2012, and last until February 28, 2013. On February 4, 2013, President Obama signed The No Budget, No Pay Act of 2013 (Pub L. 113-3) temporarily suspending the statutory limit through May 18, 2013, which temporarily rendered further use of these extraordinary measures unnecessary.

***Legal Authority 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 February 4, 2013 was June 28, 2013. 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 December 31, 2012, in connection with the declaration of the debt issuance suspension period, the Secretary redeemed securities of the CSRDF totaling $8,838,002,000. These holdings were redeemed earlier than otherwise required in order to avoid exceeding the debt limit. In addition, interest payable to both the CSRDF and the PSRHBF on December 31, 2012 ($16,172,291,000 and $792,828,000, respectively) was not invested. Finally, throughout the period of December 31, 2012 through February 4, 2013, new CSRDF and PSRHBF receipts were not immediately invested in order to keep from exceeding the debt limit. Steps were taken on February 4 and June 28, 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 December 31, 2012 and June 28, 2013 is included as Attachment 1.

Daily Transaction Detail
Report of the Operation and Status of the
Civil Service Retirement and Disability Fund and
the Postal Service Retiree Health Benefit Fund
December 31, 2012 - June 28, 2013

Date	Civil Service Retirement and Disability Fund					Postal Service Retiree Health Benefit Fund	Notes
	Daily		Other Transactions				
	Receipt Investments Suspended/ (Reinvested)	Payments Covered by DISP	Redemptions for Payments During DISP/ (Reinvestments)	Interest Investments Suspended/ (Reinvested)	Miscellaneous	Receipt Investments Suspended/ (Reinvested)	
December 31, 2012	$3,537,000		$8,838,002,000	$16,172,291,000		$792,828,000	1
January 2, 2013	$4,943,000	$6,204,417,000	-$2,633,585,000	-$10,561,427,000		-$517,762,000	2
January 3, 2013	-$8,480,000			-$5,610,864,000		-$275,066,000	3
January 4, 2013	$312,165,000	$15,302,000	$15,302,000				4
January 7, 2013	$28,350,000	$3,329,000	$2,914,953,000				5
January 8, 2013	$124,094,000	$279,000	$3,365,328,000				6
January 9, 2013	$10,172,000	$5,008,000	-$5,466,807,000				7
January 10, 2013	$433,964,000	$4,311,000	$3,742,250,000				8
January 11, 2013	$8,164,000	$2,943,000	-$2,034,847,000				9
January 14, 2013	$3,793,000		$300,484,000				10
January 15, 2013	$2,599,000	$30,535,000	$3,458,920,000				11
January 16, 2013	$598,000	$4,901,000					
January 17, 2013	$1,097,000	$3,880,000					
January 18, 2013	$468,683,000	$15,593,000					
January 22, 2013	$122,100,000	$3,648,000					
January 23, 2013	$25,443,000	$2,638,000					
January 24, 2013	$432,819,000	$1,985,000					
January 25, 2013	$1,154,000	$208,423,000					
January 28, 2013	$964,000	$1,046,000					
January 29, 2013	$1,988,000	$922,000					
January 30, 2013	$290,000	$1,517,000					
January 31, 2013	$1,779,000	$2,407,000					
February 1, 2013	$472,496,000	$5,986,916,000			$222,907,000		12
February 4, 2013	-$2,452,712,000				$0		13
Sub-Total	$0	$12,500,000,000	$12,500,000,000	$0	$222,907,000	$0	
June 28, 2013					-$222,664	$414,977	14
Total	$0	$12,500,000,000	$12,500,000,000	$0	$222,684,336	$414,977	

Notes from the Daily Transaction Detail
Report on Fund Operations and Status
From December 31, 2012 to June 28, 2013

1. **December 31, 2012:** Secretary Geithner notified Congress that a "debt issuance suspension period" (DISP) would begin on December 31, 2012, and last until February 28, 2013. [5 U.S.C. § 8348(1)(2)] . On that day:
    - Treasury did not invest $3,537,000 in new receipts to the CSRDF. Also, Treasury did not invest $16,172,291,000 in semi-annual interest due to be paid to the CSRDF on December 31.
    - Treasury redeemed $8,838,002,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027.
    - Treasury did not invest $792,828,000 in semi-annual interest due to be paid to the PSRHBF on December 31.

2. **January 2, 2013:**
    - Treasury did not invest $4,943,000 in new receipts to the CSRDF.
    - Treasury did not redeem $6,204,417,000, 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.
    - As a result of a drop in the level of the debt subject to limit:
        - Treasury reinvested $2,633,585,000, which represented a portion of the amount originally redeemed from the CSRDF on December 31.
        - Treasury reinvested $10,561,427,000, which represented a portion of the semi-annual interest not invested into the CSRDF on December 31.
        - Treasury reinvested $517,762,000, which represented a portion of the semi-annual interest not invested into the PSRHBF on December 31.

3. **January 3, 2013:**
    - As a result of a drop in the level of the debt subject to limit:
        - Treasury reinvested $8,480,000, which represented new receipts received on December 31 and January 2 and not invested into the CSRDF.
        - Treasury reinvested $5,610,864,000, which represented the remainder of the semi-annual interest not invested into the CSRDF on December 31.
        - Treasury reinvested $275,066,000, which represented the remainder of the semi-annual interest not invested into the PSRHBF on December 31.

4. **January 4, 2013:**
    - Treasury did not invest $312,165,000 in new receipts to the CSRDF.
    - Treasury redeemed $15,302,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027 in connection with making a payment of $15,302,000 in CSRDF benefits on this day.

5. **January 7, 2013:**
    - Treasury did not invest $28,350,000 in new receipts to the CSRDF.
    - Treasury did not redeem $3,329,000, 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 $2,914,953,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027.

6. **January 8, 2013:**
    - Treasury did not invest $124,094,000 in new receipts to the CSRDF.
    - Treasury did not redeem $279,000, 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 $3,365,328,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027.

7. **January 9, 2013:**
    - Treasury did not invest $10,172,000 in new receipts to the CSRDF.
    - Treasury did not redeem $5,008,000, 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.
    - As a result of a drop in the level of the debt subject to limit, Treasury reinvested $5,466,807,000 in CSRDF holdings originally redeemed on January 7 and January 8.

8. **January 10, 2013:**
    - Treasury did not invest $433,964,000 in new receipts to the CSRDF.
    - Treasury did not redeem $4,311,000, 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 $3,742,250,000 from a 1-3/8 percent Special Issue Bond maturing June 30, 2027.

9. **January 11, 2013:**
    - Treasury did not invest $8,164,000 in new receipts to the CSRDF.
    - Treasury did not redeem $2,943,000, 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.
    - As a result of a drop in the level of the debt subject to limit, Treasury reinvested $2,034,847,000 in CSRDF holdings originally redeemed on January 10.

10. **January 14, 2013:**
    - Treasury did not invest $3,793,000 in new receipts to the CSRDF.
    - Treasury redeemed $300,484,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027.

11. January 15, 2013:

- Treasury did not invest $2,599,000 in new receipts to the CSRDF.
- Treasury did not redeem $30,535,000, 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 $3,458,920,000 from a CSRDF 1-3/8 percent Special Issue Bond maturing June 30, 2027.

12. February 1, 2013:

- Treasury did not invest $472,496,000 in new receipts to the CSRDF.
- Treasury did not redeem $5,986,916,000, 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 redemptions between December 31, 2012 and January 15, 2013. Also, following normal redemption rules, Treasury redeemed an amount, including interest, totaling at least $222,907,000, which represented the amount needed to make the remainder of the benefit payments from the fund for February 1.

13. February 4, 2013:

- The President signed The No Budget, No Pay Act of 2013 (Pub. L. 113-3), which suspended the statutory debt limit through May 18, 2013. 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 $2,452,712,000 in the CSRDF in a 1-5/8 percent Certificate of Indebtedness maturing June 30, 2013. This represented receipts not invested during the DISP between December 31, 2012 and February 1, 2013. (Additionally, the requests from the Office of Personnel Management for the investment of $1,131,000 and the redemption of $2,454,000 were processed as requested.)
- Treasury redeemed $12,500,000,000 from current Certificates of Indebtedness and bonds, using normal redemption rules, and reinvested this amount in the 1-3/8 percent Special Issue Bond maturing June 30, 2027 (net $0 transaction reflected in miscellaneous column). This represented principal from the $12,500,000,000 in net redemptions that were used to make benefit payments during the DISP. (Had there been no DISP, benefit payments would have been paid through normal redemption rules.)

14. June 28, 2013: 5 U.S.C. 8348(j)(4) requires the Secretary to pay to the CSRDF, on the first normal interest payment date following the expiration of the DISP, the amount of interest that would have been earned by the CSRDF if the DISP had not occurred. Since June 30, 2013 was a non-business day, the interest payment was made on June 28, in accordance with longstanding practice.

- Treasury paid interest of $222,664.48 to the CSRDF. This amount represents interest foregone during the period of the DISP, December 31, 2012 to February 4, and accrued since February 4.
- Treasury redeemed $10,135,239,000.00 from the Certificates of Indebtedness maturing June 30, 2013 and reinvested the same amount in the 1-3/8 percent Special Issue Bond maturing June 30, 2027.[1]

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[1] Between December 31, 2012 and January 15, 2013, a total of $22.6 billion was redeemed from the 1-3/8 percent Special Issue Bond maturing June 30, 2027. $10.1 billion was reinvested in Certificates of Indebtedness maturing June 30, 2013. On February 4, 2013, $12.5 billion, matching the net amount redeemed early, was reinvested in the 1-3/8 percent Special Issue Bond

- Treasury paid interest of $414,976.72 from the PSRHBF to the Restitution of Foregone Interest Account. This amount represents excess interest earned by the PSRHBF during the period of the DISP, December 31, 2012 to February 4, and accrued since February 4.[2]

maturing June 30, 2027. The balance of $10.1 billion remained invested in the Certificate of Indebtedness. If not for the DISP, these funds would have been invested in a 1-3/8 percent Special Issue Bond maturing June 30, 2027.

[2] On December 31, 2012, an investment of $792,828,000.00 was suspended. If not for the DISP, these funds would have been invested in a Certificate of Indebtedness maturing on June 30, 2013 at 1-3/8 percent, the statutory rate of interest for December 2012. The funds, however, were subsequently reinvested on January 2 and 3, 2013, in a Certificate of Indebtedness maturing on June 30, 2013 at 1-1/2 percent, the statutory rate of interest for January 2013. Because the January 2013 interest rate was greater than the December 2012 rate, the PSRHBF earned more interest than it would have if not for the DISP. The excess interest earned by the PSRHBF was transferred to the Restitution of Foregone Interest Account.