DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 27, 2018

The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Title 5 of the United States Code requires the Secretary of the Treasury to report to Congress on the operation and status of certain fund accounts during any debt issuance suspension period. Enclosed is the report covering the operation and status of relevant fund accounts during the debt issuance suspension period that ended on February 9, 2018. 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,

Brad Bailey
Acting Assistant Secretary
Office of Legislative Affairs

Enclosure

Identical letter sent to:
The Honorable Nancy Pelosi, House Democratic Leader
The Honorable Mitch McConnell, Senate Majority Leader
The Honorable Charles E. Schumer, Senate Democratic Leader

cc: The Honorable Kevin Brady, Chairman, House Committee on Ways and Means
The Honorable Richard E. Neal, Ranking Member, House Committee on Ways and Means
The Honorable Orrin G. Hatch, Chairman, Senate Committee on Finance
The Honorable Ron Wyden, Ranking Member, Senate Committee on Finance

Report on Fund Operations and Status
From December 11, 2017 to June 29, 2018
Pursuant to 5 U.S.C. § 8348(l)(1)

July 27, 2018

On December 9, 2017, the outstanding debt subject to limit was at the statutory debt limit. The following business day, Secretary Steven Mnuchin notified Congress of his determination that a "debt issuance suspension period" (DISP) would begin on or after December 11, 2017, and last until January 31, 2018. On January 30, 2018, the Secretary determined the DISP would continue through February 28, 2018. On February 9, 2018, the President signed the Bipartisan Budget Act of 2018 (P.L. 115-123), temporarily suspending the statutory debt limit through March 1, 2019, rendering further use of extraordinary measures unnecessary.

***Legal Authority and Requirements*:**

- Section 8348(j)(1) of Title 5 of the 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 of the 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 the Secretary to 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 9, 2018, was June 29, 2018. This document fulfills this requirement.
- Section 8909a(c) states that investments of the Postal Service Retiree Health Benefits Fund (PSRHBF) "shall be made in the same manner" as investments for the CSRDF under section 8348.

***Operations and Status*:** Between December 11, 2017, and February 9, 2018, in connection with the declaration of the debt issuance suspension period, $13,200,000,000 and $700,000,000 were redeemed from the CSRDF and PSRHBF, respectively, earlier than otherwise required in order to avoid exceeding the debt limit. In addition, interest payable to the CSRDF and PSRHBF on December 29, 2017, of $12,723,795,000 and $661,867,000, respectively, was not invested. Finally, throughout the period of December 11, 2017, to February 9, 2018, new CSRDF and PSRHBF receipts were not invested in order to avoid exceeding the debt limit. Steps were taken on February 9, 2018, and June 29, 2018, as appropriate, to replicate the portfolios the CSRDF and PSRHBF would have held if the DISP had not occurred. A summary of the operations and status of the CSRDF and PSRHBF between December 11, 2017, and June 29, 2018 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 Benefits Fund
December 11, 2017 - June 29, 2018

Date	Civil Service and Retirement Disability Fund					Postal Service Retiree Health Benefits Fund				Notes
	Daily		Other			Daily	Other			
	Receipt Inv. Suspended/ (Reinvested)	Payments Covered by DISP	Redemptions for Payments During DISP/ (Reinvested)	Princ. and Int. Suspended/ (Reinvested)	Redemptions Not Included In DISP Early Redemption	Payments Covered by DISP	Redemptions for Payments During DISP/ (Reinvested)	Princ. and Int. Suspended/ (Reinvested)	Redemptions Not Included In DISP Early Redemption	
December 11, 2017	$8,538,000	$3,344,000	$2,211,206,000	$0	$0	$0	$500,000,000	$0	$0	1
December 12, 2017	$20,438,000	$0	$4,588,794,000	$0	$0	$0	$0	$0	$0	
December 13, 2017	($28,976,000)	$801,000	($6,795,855,000)	$0	$0	$0	($500,000,000)	$0	$0	2
December 14, 2017	$900,000	$2,147,000	$6,795,855,000	$0	$0	$292,401,000	$500,000,000	$0	$0	
December 15, 2017	$612,343,000	$33,056,000	$0	$0	$0	$0	$0	$0	$0	
December 18, 2017	$383,088,000	$537,000	$0	$0	$0	$0	$0	$0	$0	
December 19, 2017	$149,126,000	$12,530,000	$0	$0	$0	$0	$0	$0	$0	
December 20, 2017	$30,451,000	$1,797,000	$0	$0	$0	$0	$0	$0	$0	
December 21, 2017	$147,189,000	$1,922,000	$0	$0	$0	$0	$0	$0	$0	
December 22, 2017	$617,000	$3,493,000	$0	$0	$0	$0	$0	$0	$0	
December 26, 2017	$1,183,000	$1,718,000	$0	$0	$0	$0	$0	$0	$0	
December 27, 2017	$1,412,000	$2,177,000	$0	$0	$0	$0	$0	$0	$0	
December 28, 2017	$2,446,000	$2,752,000	$0	$0	$0	$0	$0	$0	$0	
December 29, 2017	$611,014,000	$721,000	$0	$12,723,795,000	$0	$0	$0	$661,867,000	$0	3
January 2, 2018	$525,036,000	$6,733,005,000	$0	$0	$160,460,000	$0	$0	$0	$0	4
January 3, 2018	$15,807,000	$0	$0	$0	$0	$0	$0	$0	$0	
January 4, 2018	$145,533,000	$0	$0	$0	$47,677,000	$0	$0	$0	$0	
January 5, 2018	$13,726,000	$0	$0	$0	$0	$0	$0	$0	$0	
January 8, 2018	$819,000	$0	$0	$0	$3,944,000	$0	$0	$0	$0	
January 9, 2018	$1,076,000	$0	$0	$0	$2,707,000	$0	$0	$0	$0	
January 10, 2018	$685,000	$0	$0	$0	$3,830,000	$0	$0	$0	$0	
January 11, 2018	$27,296,000	$0	$0	$0	$3,754,000	$0	$0	$0	$0	
January 12, 2018	$607,854,000	$0	$0	$0	$33,690,000	$0	$0	$0	$0	
January 16, 2018	$520,067,000	$0	$0	$0	$3,577,000	$0	$0	$0	$0	
January 17, 2018	$12,390,000	$0	$0	$0	$3,956,000	$0	$0	$0	$0	
January 18, 2018	$146,081,000	$0	$0	$0	$4,128,000	$0	$0	$0	$0	
January 19, 2018	$317,000	$0	$0	$0	$5,392,000	$0	$0	$0	$0	
January 22, 2018	$726,000	$0	$0	$0	$3,211,000	$0	$0	$0	$0	
January 23, 2018	$1,608,000	$0	$0	$0	$5,862,000	$207,599,000	$0	$0	$91,898,000	
January 24, 2018	$581,000	$0	$0	$0	$956,000	$0	$0	$0	$0	
January 25, 2018	$320,000	$0	$0	$0	$279,296,000	$0	$0	$0	$0	
January 26, 2018	$628,943,000	$0	$0	$0	$19,397,000	$0	$0	$0	$0	
January 29, 2018	$378,082,000	$0	$0	$0	$2,088,000	$0	$0	$0	$0	
January 30, 2018	$158,660,000	$0	$0	$0	$527,000	$0	$0	$0	$0	

Daily Transaction Detail
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the Postal Service Retiree Health Benefits Fund
December 11, 2017 - June 29, 2018

Date	Civil Service and Retirement Disability Fund					Postal Service Retiree Health Benefits Fund				Notes
	Daily		Other			Daily	Other			
	Receipt Inv. Suspended/ (Reinvested)	Payments Covered by DISP	Redemptions for Payments During DISP/ (Reinvested)	Princ. and Int. Suspended/ (Reinvested)	Redemptions Not Included In DISP Early Redemption	Payments Covered by DISP	Redemptions for Payments During DISP/ (Reinvested)	Princ. and Int. Suspended/ (Reinvested)	Redemptions Not Included In DISP Early Redemption	
January 31, 2018	$32,177,000	$1,485,000	$6,400,000,000	$0	$0	$0	$200,000,000	$0	$0	5
February 1, 2018	$149,931,000	$6,398,515,000	$0	$0	$512,754,000	$0	$0	$0	$0	
February 2, 2018	$870,000	$0	$0	$0	$0	$0	$0	$0	$0	
February 5, 2018	$266,000	$0	$0	$0	$49,961,000	$0	$0	$0	$0	
February 6, 2018	$711,000	$0	$0	$0	$573,000	$0	$0	$0	$0	
February 7, 2018	$11,236,000	$0	$0	$0	$3,517,000	$0	$0	$0	$0	
February 8, 2018	$473,000	$0	$0	$0	$5,311,000	$0	$0	$0	$0	
February 9, 2018	($5,321,040,000)	$0	$0	($12,723,795,000)	$0	$0	($200,000,000)	($661,867,000)	$0	6
Subtotal	$0	$13,200,000,000	$13,200,000,000	$0	$1,156,568,000	$500,000,000	$500,000,000	$0	$91,898,000	
June 29, 2018				($218,307,637)				($29,191,962)		7
Total	$0	$13,200,000,000	$13,200,000,000	($218,307,637)	$1,156,568,000	$500,000,000	$500,000,000	($29,191,962)	$91,898,000	

Notes from the Daily Transaction Detail
Report on Fund Operations and Status
From December 11, 2017 to June 29, 2018

1. **December 11, 2017:**
   - Secretary Mnuchin notified Congress that a "debt issuance suspension period" would begin on or after December 11, 2017, and last until January 31, 2018.
   - Treasury did not invest $8,538,000 in new receipts to the CSRDF.
   - Treasury did not redeem $3,344,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP.
   - Treasury redeemed $2,211,206,000 from a CSRDF 2.250 percent Special Issue Bond maturing June 30, 2032.
   - Treasury redeemed $500,000,000 from a PSRHBF 5.000 percent Special Issue Bond maturing June 30, 2022.

2. **December 13, 2017:**
   - As a result of a drop in the level of the debt subject to limit to an amount below the statutory debt limit:
     - Treasury reinvested $28,976,000, which represented receipts received on December 11 and December 12 that were not invested in the CSRDF.
     - Treasury invested normally $156,000, which represented new receipts to the CSRDF.
     - Treasury reinvested $6,795,855,000, which represented the remainder of the early redemptions from the CSRDF through December 13.
     - Treasury reinvested $500,000,000, which represented the remainder of the early redemptions from the PSRHBF through December 13.
   - Treasury did not redeem $801,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP.

3. **December 29, 2017:**
   - Treasury did not invest $12,723,795,000, which included $12,023,609,000 in semi-annual interest, due to the CSRDF on December 29 and $700,186,000 of interest forgone by the CSRDF during the prior DISP between March 16, 2017, and September 8, 2017.
   - Treasury did not invest $611,014,000 in new receipts to the CSRDF.
   - Treasury did not redeem $721,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP.
   - Treasury did not invest $661,867,000, which included $630,270,000 in semi-annual interest, due to the PSRHBF on December 29 and $31,597,000 of interest forgone by the PSRHBF during the prior DISP between March 16, 2017 and September 8, 2017.

4. **January 2, 2018:**
   - Treasury did not invest $525,036,000 in new receipts to the CSRDF
   - Treasury did not redeem $6,733,005,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP.
   - Treasury redeemed normally $160,460,000, which represented the amount needed to make the remainder of the new disbursements from the CSRDF.

5. **January 30, 2018:**
    - Secretary Mnuchin notified Congress that the DISP would continue through February 28, 2018.
    - Treasury did not invest $32,177,000 in new receipts to the CSRDF.
    - Treasury did not redeem $1,485,000, which represented a portion of the payments authorized to be made from the CSRDF during the period of the DISP.
    - Treasury redeemed $6,400,000,000 from a CSRDF 2.250 percent Special Issue Bond maturing June 30, 2032.
    - Treasury redeemed $200,000,000 from a PSRHBF 5.000 percent Special Issue Bond maturing June 30, 2022.

6. **February 9, 2018:**
    - The President signed the Bipartisan Budget Act of 2018 (P.L. 115-123), suspending the statutory debt limit through March 1, 2019.
    - Treasury invested $18,044,835,000 into the CSRDF in accordance with the established investment plan for the fund. This represented:
        - $12,723,795,000, which included $12,023,609,000 for the December 29, 2017, semi-annual interest payments that were not reinvested in the fund during the DISP and $700,186,000 for the December 29, 2017, payment of interest forgone by the CSRDF during the prior DISP between March 16, 2017, and September 8, 2017.
        - $5,321,040,000 in receipts not invested between December 11, 2017, and February 9, 2018.
    - Treasury redeemed $13,200,000,000 from current CSRDF Certificates of Indebtedness and bonds, using normal redemption rules.
    - Treasury invested $13,200,000,000 in the CSRDF 2.250 percent bond maturing on June 30, 2032. This represented principal that was redeemed early from the 2.250 percent Special Issue Bond. (Had there been no DISP, benefit payments would have been paid through normal redemption rules.)
    - Treasury invested $661,867,000 in the PSRHBF in accordance with the established investment plan for the fund. This represented:
        - $630,270,000 for the December 29, 2017 semi-annual interest payments that were not reinvested in the fund during the DISP.
        - $31,597,000 for the December 29, 2017 payment of interest forgone by the PSRHBF during the prior DISP between March 16, 2017, and September 8, 2017.
    - Treasury redeemed $500,000,000 from current PSRHBF Certificates of Indebtedness and bonds, using normal redemption rules.
    - Treasury invested $700,000,000 in the PSRHBF 5 percent bond maturing on June 30, 2022. This represented:
        - $500,000,000 principal that was redeemed early from the 5.000 percent Special Issue Bond. (Had there been no DISP, benefit payments would have been paid through normal redemption rules.)
        - $200,000,000 in available funds from the early DISP redemptions that have not yet been disbursed.

7. June 29, 2018:

- Treasury paid interest of $218,307,637 to the CSRDF. This amount represents the interest forgone during the period of the DISP from December 11, 2017, to February 9, 2018, and accrued since February 9, 2018.
- Treasury paid interest of $ 29,191,962 to the PSRHBF. This amount represents the interest forgone during the period of the DISP from December 11, 2017, to February 9, 2018, and accrued since February 9, 2018.