

The Honorable Richard Cheney
President of the Senate
United States Senate
Washington, D.C. 20510

Dear Mr. President:

On May 14, 2002, Treasury informed Congress that, absent extraordinary actions, the public debt outstanding would exceed the statutory limit of \$5.95 trillion no later than May 16 and, as a result, a “debt issuance suspension period” would begin no later than May 16 and end on June 28, 2002. From May 16 through June 27, 2002, outstanding Treasury debt would have exceeded the statutory limit if the Secretary of the Treasury had not taken actions relating to the investment of assets of the Civil Service Retirement and Disability Fund (CSRDF) and the Government Securities Investment Fund (G-Fund) of the Federal Employees’ Retirement System. This is the report required by sections 8348 and 8438 of Title 5, United States Code, concerning the operations and status of the CSRDF and the G-Fund between May 16 and June 28, 2002.

Section 8348(j)(1) (concerning the CSRDF) and section 8438(g)(1) (concerning the G-Fund) authorize the Secretary to suspend the issuance of obligations to the CSRDF and the G-Fund if new obligations could not be issued without exceeding the public debt limit. In addition, if the Secretary determines that a “debt issuance suspension period” exists, he is authorized by section 8348(k)(1) to sell or redeem securities held by the CSRDF to obtain any amount of funds not exceeding an amount equal to the total amount of the benefit and other payments authorized to be made from the CSRDF during the debt issuance suspension period.

On May 16, 2002, an investment¹ of the CSRDF was redeemed in order to prevent the public debt from exceeding the statutory limit. In the absence of a debt issuance suspension period, this investment would not have been redeemed until regular monthly benefits for June 2002 were payable.

During the debt issuance suspension period, the CSRDF and the G-Fund received funds that could not be invested without exceeding the debt limit. CSRDF receipts received between May 17 and June 27 totaling \$2,069,440,000 remained uninvested. Because the G-Fund is invested in overnight securities, the fund was partially uninvested in principal amounts of up to \$36,114,531,000 during the debt issuance suspension period.

Sections 8348(j)(3) and 8438(g)(3) require the Secretary, upon expiration of a debt issuance suspension period, to issue to the CSRDF and the G-Fund obligations that will ensure that the holdings of the funds replicate the portfolios the funds would have held

¹ Par Value: \$3,917,885,000; Maturity: June 30, 2002; Interest Rate: 5 1/8%

upon the expiration of the debt issuance suspension period if the debt issuance suspension period had not occurred. In addition, section 8438 (g)(4) requires that, on the first business day after the expiration of a debt issuance suspension period, the Secretary will pay to the G-Fund the amount of interest that would have been earned by the fund if the debt issuance suspension period had not occurred. Section 8348(j)(4) requires a similar payment of interest to the CSRDF on the first normal interest payment date following expiration of a debt issuance suspension period.

On June 28, 2002, the debt issuance suspension period ended when the President signed legislation increasing the permanent debt limit to \$6.4 trillion (P.L. 107-199). In order to place the CSRDF and the G-Fund in the same financial position they would have been had there not been a debt issuance suspension period, the following actions were taken:

- On June 28:
 1. Uninvested receipts of the CSRDF totaling \$2,069,440,000 were invested in a 5 ¼% certificate of indebtedness maturing June 30, 2002.
 2. Suspended investments of the G-Fund totaling \$36,114,531,000 were invested in an overnight security maturing July 1, 2002. (See attached table for the daily and cumulative amounts of G-Fund principal suspended and restored.)
 3. Interest earned on suspended investments of the G-Fund totaling \$139,552,094.67 was paid and invested in an overnight security maturing July 1, 2002. (See attached table for the daily and cumulative amounts of G-Fund interest suspended and restored.)

- On June 30:
 1. CSRDF interest totaling \$15,355,679.81 was paid and invested on June 30, 2002. This represents interest lost from the early redemption of the 5 1/8% certificate of indebtedness on May 16 and interest on receipts uninvested between May 17 and June 27, 2002.

Based on these actions, the CSRDF and the G-Fund were fully restored to the condition in which each would have been had there not been a debt issuance suspension period.

Sincerely,

Brian Roseboro
Assistant Secretary
(Domestic Finance)

Attachment