



General Government Division

B-261957

April 3, 1995

The Honorable Steny H. Hoyer
House of Representatives

Dear Mr. Hoyer:

By letter dated March 21, 1995, you asked if we agreed with the conclusions reached by the Congressional Research Service (CRS) in a report on the funding status of the Civil Service Retirement System.

The CRS report was entitled, "Federal Civil Service Retirement: Is There A Financing or Funding Problem?" It reached two conclusions: (1) the system's unfunded liability is not a problem that needs to be fixed to avoid steep increases in outlays from the Treasury or increases in the deficit and (2) the system is not insolvent nor will it become insolvent in the future.

We agree with the CRS conclusions. It is our understanding that, as long as the financing arrangements set out in law are followed, there will always be sufficient assets in the retirement fund to cover benefit payments to all current and future retirees.

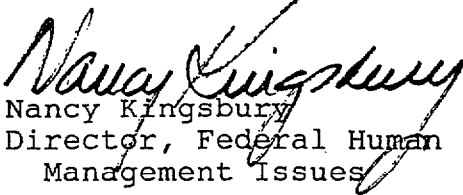
The CRS report elaborates on this point by stating that the primary purpose of the retirement fund is to provide budget authority to allow the Treasury to disburse monthly annuity checks without annual appropriations. The actual outlays from the fund come from general revenues and can never be more than the sum of the monthly checks written to annuitants. Thus, while we believe the procedures for accounting for these costs at the agency level could be improved, the unfunded liability itself has no effect on the budget or current outlays and is not a measure of the government's ability to pay retirement benefits in the future.

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We trust the above is a satisfactory response to your request.

Sincerely yours,



Nancy Kingsbury

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Management Issues

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