HEARINGS

BEFORE THE

COMMITTEE ON OFFICE AND CIVIL SERVICE USE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 3258, H.R. 10539, H.R. 1927, and similar bills

BILLS TO PROVIDE RETIREMENT CREDIT FOR FEDERAL-STATE EMPLOYEES; EMPLOYEE ORGANIZATION HEALTH PLANS; SURVIVORS' ANNUITIES, AND FOR OTHER PURPOSES

JUNE 6, 13, AND 20, 1962

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SUBCOMMITTEE APPOINTED TO CONSIDER H.R. 3258, H.R. 10539, H.R. 1927, AND SIMILAR BILLS

JAMES C. DAVIS, Georgia, *Chairman*

DAVID N. HENDERSON, North Carolina
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RETIREMENT CREDIT FOR FEDERAL-STATE SERVICE; EMPLOYEE ORGANIZATION HEALTH PLANS; SURVIVORS' ANNUITIES

WEDNESDAY, JUNE 6, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, in room 215, House Office Building, Hon. James C. Davis (chairman of the subcommittee) presiding.

Mr. DAVIS. The subcommittee will come to order, please.

This subcommittee was appointed to hold hearings on several bills pending before our committee, relating to three separate subject matters.

H.R. 10539, which I sponsored, would amend the Federal Employees Health Benefits Act of 1959, to eliminate the requirements that employee organization health plans must have been providing health benefits to members of the organizations on July 1, 1959, 3 months before the date of enactment of the Act on September 28, 1959. The amendment would permit employee organizations to apply for approval as carriers during 1962. Similar bills included in this group are H.R. 11202, sponsored by Mr. Moeller, and H.R. 11467, sponsored by Mr. Cunningham.

H.R. 3258 which I sponsored, would authorize Federal employees to credit, for civil service requirement purposes, services performed by them as employees of a State or a State municipality engaged in carrying out programs authorized by acts of Congress and financed in part with Federal funds, provided they have a total of 5 years of creditable Federal service under the Retirement Act exclusive of the service credited under the bill. Similar bills in this group are H.R. 42, sponsored by Mr. Teague of Texas; H.R. 1058, sponsored by Mr. Natcher; and H.R. 2794, sponsored by Mr. Reece.

H.R. 1927, which I sponsored, would extend to persons who were separated between June 30, 1953, and September 30, 1956, with the right to a deferred annuity the right to elect a reduced annuity with survivor benefits, the same as is now afforded to employees separated any time after October 1, 1956.

The Honorable William H. Natcher, Democrat, of Kentucky, who sponsored H.R. 1058, has asked that his statement be inserted in the record, and without objection, this will be done.

Without objection, there will also be inserted in the record a letter written by Frank W. Castiglione, executive vice president of the

Western Growers Association, written on May 16, 1961, to Chairman Tom Murray of the House Committee on Post Office and Civil Service; a statement by Dr. M. D. Mobley, executive secretary of the American Vocational Association, Inc., on H.R. 3258.

Without objection, the bills and the other material will be admitted at this point in the record.

(The bills and other material referred to follow:)

[H.R. 3258, 87th Cong., 1st sess.]

A BILL To allow credit under the Civil Service Retirement Act to certain Federal employees for service in Federal-State cooperative programs in a State, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Civil Service Retirement Act is amended by adding at the end thereof the following new subsection:

"(*k*) Subject to the conditions contained in this paragraph, any employee or Member who is serving in a position within the purview of this Act at the time of his retirement or death shall be allowed credit for all periods of servce performed by him (unless the record shows he was certified as being eligible for relief) in the employ of a State, or any instrumentality thereof, primarily in the carrying out of programs authorized by Act of Congress and financed in whole or in part by Federal funds (including, but not limited to, cooperative arrangements with Federal contribution in the form of licensing services or supervision), but only if—

"(1) the performance of such service is certified, in a form prescribed by the Civil Service Commission, by the head, or by a person designated by the head, of the department, agency, or independent establishment in the executive branch of the Government of the United States which administers the provisions of law authorizing the performance of such service, or is otherwise established to the satisfaction of the Commission;

"(2) the employee or Member shall have to his credit a total period of not less than five years of allowable service under this Act, exclusive of service allowed by this subsection;

"(3) the employee or Member shall have deposited with interest at 4 per centum per annum to December 31, 1947, and 3 per centum per annum thereafter, compounded on December 31 of each year, to the credit of the civil service retirement and disability fund a sum equal to the aggregate of the amounts which would have been deducted from his basic salary, pay, or compensation during the period of service claimed under this subsection if during such period he had been subject to this Act, except this paragraph shall not apply to services covered in paragraph (4) below;

"(4) the annuity computed under this subsection is reduced by the amount of any State annuity which an employee is receiving, or may receive, toward which the employee contributed during such State service and to which he is entitled by reason of such State service.

As used in this paragraph, the term 'State' includes Puerto Rico."

SEC. 2. The annuity of any person who shall have performed service described in subsection (k) of section 3 of the Civil Service Retirement Act and who on or after June 30, 1942, and before the date of enactment of this Act shall have been retired on annuity under the provisions of the Civil Service Retirement Act then in effect, shall, upon application filed by such persons within one year after the date of enactment of this Act and compliance with the conditions prescribed by such subsection (k), be adjusted, effective as of the first day of the month following the date of enactment of this Act, so that the amount of such annuity will be the same as if such subsection (k) had been in effect at the time of such person's retirement.

[H.R. 10539, 87th Cong., 2d sess.]

A BILL To amend the Federal Employees Health Benefits Act of 1959 to provide additional choice of health benefits plans, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 2(i) of the Federal Employees Health Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3001 (i)) is amended by striking out "1959" and inserting in lieu thereof "1962".

(b) Section 4(3) of such Act (73 Stat. 711; 5 U.S.C. 3003(3)) is amended by striking out ", and which on July 1, 1959, provided health benefits to members of the organization".

[H.R. 1927, 87th Cong., 1st sess.]

A BILL To provide for certain survivors' annuities in additional cases under the Civil Service Retirement Act of May 29, 1930

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any employee separated from the service on or after June 30, 1953, with entitlement to deferred annuity under the provisions of the Civil Service Retirement Act of May 29, 1930, as in effect prior to October 1, 1956, may elect a reduced annuity, computed under such Act as so in effect, effective as of the commencing date of annuity, in lieu of the annuity to which he is otherwise entitled under such Act, and designate in writing his spouse to receive an annuity after his death computed as provided under such Act. Any such person retired prior to the date of enactment of this Act may elect such reduced annuity and designate in writing his spouse to receive an annuity after his death computed as provided under such Act, upon application to the Civil Service Commission within six months after such date of enactment and upon payment into the civil service retirement and disability fund of an amount equal to the amount of the reduction which would have been made in his regular annuity, effective on the commencing date of annuity, if he had been entitled to and elected a reduced annuity under such Act at the time of his retirement.

SEC. 2. Notwithstanding any other provision of law, benefits under the Civil Service Retirement Act resulting from the operation of the first section of this Act shall be paid from the civil service retirement and disability fund.

PREPARED STATEMENT OF REPRESENTATIVE WILLIAM H. NATCHER, SECOND DISTRICT OF KENTUCKY

Mr. Chairman, I want you and the members of your subcommittee to know that I appreciate the opportunity to appear in behalf of the bill which I introduced on January 3, 1961, which seeks to amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes. This bill is H.R. 1058.

Under the provisions of the bill, H.R. 1058, Federal employees with 5 years of service in federally classified positions would, upon compliance with certain specifications, be granted retirement credit for periods of Federal-State employment in programs that were supported by Federal funds and with the employees subject to Federal supervision and direction.

Under the provisions of this bill credit would be allowed under the Civil Service Retirement Act for certain service rendered as an employee of a State (including Puerto Rico), or any instrumentality thereof if this service were performed in the following areas:

(1) Program of a State rural rehabilitation corporation.

(2) Federal-State cooperative program of agricultural experiment stations research and investigation.

(3) Federal-State cooperative program of vocational education.

(4) Federal-State cooperative program of agricultural extension work.

(5) Federal-State cooperative program of forest and watershed protection.

(6) Federal-State cooperative program for the control of plant pests and animal diseases.

Mr. Chairman, I would like to point out to you and to the members of this committee, that the number of people involved under the provisions of H.R. 1058 is relatively small.

Passage of H.R. 1058 would be of great assistance to the Department of Agriculture generally in its recruiting of new employees. At the present time, more so than at any time in the past, the Department of Agriculture should be unhampered in bringing into the Department people who have the background of experience to perform the work required. In order to obtain such individuals, a background of experience at the State level is necessary and these people should

be granted retirement credit for their employment at the State level. Leadership developed at the State level is of great value to the Department of Agriculture at the Federal level and this applies especially to those activities which are supported by Federal funds and administered by State institutions and agencies in cooperation with the Department of Agriculture.

Adoption of the principles outlined in H.R. 1058 would also eliminate discrimination which has extended down through the years with special privileges granted to certain individuals in the Department of Agriculture and denied to others who work on identical programs at the State level—the same service performed in the Department of Agriculture and at the State level with Federal funds.

By allowing credit under the Civil Service Retirement Act for the service performed as outlined herein, the Department of Agriculture would then be placed in a position of being able to obtain better qualified employees which would bring about a more effective recruitment program within the Department.

A number of our extension workers in the States have, at one time or another, taught vocational agriculture, vocational home economics, or have taught veterans under the vocational programs. They were performing the same type of service prior to their appointment as extension workers and certainly should be granted credit under the Civil Service Retirement Act for the service performed.

Mr. Chairman, I would like to call your attention to that portion of the bill which provides for Alaska, Hawaii, and Puerto Rico. Since Alaska and Hawaii are now States, they should be deleted from lines 17 and 18 on page 4 of the bill.

Mr. Chairman, I want to thank you and the members of your committee for this opportunity to appear and I respectfully request that H.R. 1058 be favorably reported.

WESTERN GROWERS ASSOCIATION,
Los Angeles, Calif., May 16, 1961.

Hon. TOM MURRAY,
Chairman, House Committee on Post Office and Civil Service,
House Office Building, Washington, D.C.

DEAR MR. MURRAY: The Western Growers Association represents the vegetable and melon industry of California and Arizona, whose members in 1960 shipped approximately 300,000 carlots with a value of $500 million.

Insofar as the produce industry is concerned, many duties are performed by State employees who carry out programs authorized by Congress. These persons, while on a State payroll, are in reality Federal employees and should be given the same credit for retirement under the Civil Service Act as Federal employees. To deny them the same rights because they are in the employ of the State carrying out programs authorized by Congress and financed by Federal funds is inequitable and unjust.

It would be appreciated if the approval of the members of the Western Growers Association in support of H.R. 3258 be entered in the record.

Thank you for your assistance and courtesy.

Yours very truly,

FRANK W. CASTIGLIONE,
Executive Vice President.

STATEMENT CONCERNING H.R. 3258 BY DR. M. D. MOBLEY, EXECUTIVE SECRETARY, AMERICAN VOCATIONAL ASSOCIATION, INC., WASHINGTON, D.C.

My name is M. D. Mobley. I am the executive secretary of the American Vocational Association with a membership of approximately 30,000 vocational teachers, officials, and lay leaders from every State and virtually every community of the Nation.

The American Vocational Association strongly endorses H.R. 3258, the legislation now pending before this committee.

The American Vocational Association is the voluntary professional organization for all phases of vocational education, including agricultural education, trade and industrial education, home economics education, and distributive education. The members of the American Vocational Association are very much interested in this proposed legislation. They believe it will greatly strengthen the national program of vocational education in all of its phases.

As you undoubtedly know, educators are one of the lowest paid professional public servants and it is necessary that they protect their retirement benefits. They are usually not able to accumulate much for their retirement years.

If we are to secure qualified Federal employees in the field of vocational education, it is imperative that they be given credit for previous time spent in the Federal-State programs of vocational education.

Thank you for the opportunity to appear before this committee in support of H.R. 3258.

Mr. DAVIS. We have as our first witness today Mr. Dillard B. Lasseter, executive officer of the Organization of Professional Employees of the U.S. Department of Agriculture here in Washington, D.C.

Mr. Lasseter, we are pleased to have you and we will be glad to have your statement.

STATEMENT OF DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. LASSETER. Thank you very much, Mr. Chairman. I appreciate this opportunity of appearing before you on this legislation and I might say that I recall quite well 7 years ago when I appeared on the same subject when you were here, as well as Mr. Gross and other members of the committee, and I am very glad you both have survived the storm and strife of political weather in the meantime. I am glad to be here before you again. Of course, I am glad to see Mr. Henderson again.

Mr. DAVIS. Glad to see you have survived the storm and strife also, Mr. Lasseter. We are glad to have you still with us.

Mr. LASSETER. Perhaps not quite as stormy, but anyhow I am here again.

Mr. GROSS. Thank you, Mr. Lasseter.

Mr. LASSETER. I have a prepared statement from which I will digress so as to save time.

(The statement follows:)

STATEMENT CONCERNING H.R. 3258, BY DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE

My name is Dillard B. Lasseter. I am appearing as executive officer of the Organization of Professional Employees of the U.S. Department of Agriculture. I wish to speak in support of H.R. 3258.

BASIC PROVISIONS

H.R. 3258 would amend the Civil Service Retirement Act of 1930 to enable present and former U.S. civil service employees with 5 or more years of Federal retirement credit to include in their retirement credit periods of "service performed by him (unless the record shows he was certified as being eligible for relief) in the employ of a State, or any instrumentality thereof, primarily in the carrying out of programs authorized by act of Congress and financed in whole or in part by Federal funds (including, but not limited to, cooperative arrangements with Federal contribution in the form of licensing services or supervision)."

PURPOSES OF BILL

The bill is intended to make it less difficult to recruit for a few important positions in the Federal service where experience in Federal-State programs is essential to the most effective administration of the program. Agencies such

as the Agricultural Research Service, the Agricultural Marketing Service, the Economic Research Service, the Vocational Education Division of the Office of Education, and other Department agencies have no other source from which to recruit people with such needed experience. The best qualified persons generally cannot now afford to transfer from State to Federal employment where they have to sacrifice credit in State retirement systems with no possibility of qualifying for Federal retirement for similar previous service in a State. This is a problem of recruiting a small number of top men with special qualifications, rather than a large number of employees. It would not increase the total number of civil service employees. Such jobs must be filled even though the best qualified personnel from Federal-State programs cannot be recruited.

The bill would improve morale and working efficiency of Federal employees by correcting gross inequities, since some USDA employees now have U.S. civil service credit for service in Federal-State programs while others do not.

HOW MANY WILL BE COVERED

A survey made in the early part of the 1950's showed that there were about 5,000 employees in the USDA who had State experience in a Federal-State cooperative program which might be credited under the Federal civil service retirement if legislation such as the Johnston bill became law. These were located as follows:

Soil Conservation Service	1,400
Farmers Home Administration	600
Agricultural Research Service	450
State extension services	[1] 2,400
Other USDA agencies	150

[1] It is estimated that about 400 of these have since been covered under minutes 2 of the CSC. The remainder would be those who have had experience in vocational education, experiment stations, etc.

It was estimated at the time of the survey that not more than 1,000 employees in agencies other than Agriculture would be eligible under the Johnston bill. Most of these employees came under Federal civil service during the years of 1933–35. Relatively few have been added in recent years.

NUMBERS WHICH MAY BE EXPECTED IN THE FUTURE

The numbers who would qualify for retirement credits for their previous experience in Federal-State cooperative programs under this legislation would be limited since practically all of the employees of the Federal service are recruited as they graduate from educational institutions or shortly thereafter. There are, however, some very important positions in the Federal service where recruitment of people with appropriate previous professional experience in a State is not only highly desirable but essential for most effective functioning of the particular organization or agency. These positions are not numerous and would not greatly increase the list. Other limitations are found in those provisions of the bill which require that (*a*) only those who were in a Federal-State cooperative program covered by subsection (k) can qualify; (*b*) an employee must have been under U.S. civil service for at least 5 years at the time of his retirement or death, or must have been retired under the provisions of section 2.

The Civil Service Commission has suggested that it might be difficult to find criteria for distinguishing between the joint programs covered by this bill and other Federal grant programs. We feel, on the contrary, that establishing such criteria offers no particular difficulty. The programs which would be covered by H.R. 3258 have been wholly Federal or joint Federal-State cooperative programs from the time they were initiated. They constitute lines of work that involve the interests of the general public throughout the country. They relate to the public food supply, the protection of natural resources, and the public welfare. Each of these programs in the States is so correlated with related efforts of the Federal Government that they in fact constitute single programs and are supervised by Federal officials.

LEGISLATIVE BACKGROUND

H.R. 3258 is not new. Beginning with 1949 similar bills have sought to extend civil service retirement benefits to Federal employees previously employed on Federal-State cooperative programs. A list of such bills by year would include:

Eighty-first Congress (1949): Mr. Johnston, of South Carolina, S. 1275.

Eighty-third Congress (1953): Mr. Marshall, of Minnesota, H.R. 521; Mr. Harvey, of Indiana, H.R. 1553 (passed by House, approved by Senate Post Office and Civil Service Committee); Mr. Chavez, of New Mexico, S. 420; Mr. Johnston, of South Carolina, S. 1780.

Eightly-fourth Congress (1955–56): Mr. Marshall, of Minnesota, H.R. 139; Mr. Harvey, of Indiana, H.R. 379; Mr. Davis, of Georgia, H.R. 12052; Mr. Carlson, of Kansas, S. 496; Mr. Johnston, of South Carolina, S. 1041 (vetoed by President Eisenhower).

Eighty-fifth Congress (1957–58): Mr. Davis of Georgia, H.R. 10674; Mr. Johnston, of South Carolina, S. 3512; Mr. Johnston, of South Carolina, S. 2549.

Eighty-sixth Congress (1959–60): Mr. Davis, of Georgia, H.R. 2751; Mr. Reece, of Tennessee, H.R. 12044.

Eighty-seventh Congress (to date) (1961): Mr. Natcher, of Kentucky, H.R. 1058; Mr. Reece, of Tennessee, H.R. 2794; Mr. James C. Davis, of Georgia, H.R. 3258; Mr. Carlson, of Kansas, S. 387; Mr. Teague, of Texas, H.R. 42.

H.R. 1553 was passed by the House in 1954, was reported out of the Senate Committee on Post Office and Civil Service in the latter days of the 83d Congress. In the rush of adjournment it did not come to vote in the Senate.

S. 1041 was passed by both Houses of the 84th Congress in 1955, but was vetoed by the President by White House memorandum of disapproval, dated August 12, 1955. Since that time, the Civil Service and the Bureau of the Budget, when requested to report on similar bills, have recommended disapproval on the basis of the Presidential veto message.

ARGUMENTS IN VETO MESSAGE

The President's veto message of August 12, 1955, gave four reasons for not approving S. 1041. These reasons are listed below together with facts about each of these statements.

1. *The proposal would "make improper use of Federal funds to pay for services never received by it."*—Since the Federal-State programs to which the proposal applies are supported in whole or in part by Federal funds, such funds are now, in effect, used to pay for these services. The Federal Government initiated these programs and has continued to provide financial support; it must therefore be assumed that the Government receives benefit from the services performed. Also, the employer cost of providing credit toward the future retirement of an employee is generally considered to be a deferred portion of the worker's compensation for his services.

It would seem reasonable that this cost representing deferred compensation comes from the same source as the funds which provide the employee's current compensation.

Moreover, Federal funds for these programs are in some instances used for the payment of the employer contributions to State or local governmental staff retirement systems to which the employees are subject.

2. *The memorandum of disapproval argued that the proposal would "result in an unsound shifting of fiscal responsibility from State to Federal Government."*—Assumption of these costs by the Federal Government would seem to be fully justified in view of the strong Federal interest in such services, as evidenced by the substantial grants that the Federal Government already makes toward the programs in question.

There are some instances in which the Federal Government presently assumes the employer costs of providing retirement protection even though the individuals concerned are obviously not employees of the U.S. Government. For example, under Public Law 85–795 certain Federal employees transferred to international organizations can retain their civil service retirement coverage and other Federal employment rights and benefits for as long as 3 years if they pay the appropriate employee contributions. The Federal Government, as in the present proposal, bears the cost of the employer contributions to the civil service retirement fund.

3. *The memorandum states that the proposal would "set an undesirable precedent."*—The crediting under civil service retirement of service not performed directly in the employ of the Federal Government is not new. In addition to the example already mentioned, relating to service performed in the employ of an international organization, such credit has been given in the following situations:

(*a*) County and State employees of the State agricultural extension service receive credit for service under minute 2 of the U.S. Civil Service Commission, dated September 1957.

(*b*) County employees of the Agricultural Stabilization and Conservation Service are given retirement credit for Federal service under Public Law 86–568 (1960 Federal employee pay raise bill) passed over the President's veto.

(*c*) Department of Agriculture employees with $1 a year appointments while employed in State and county agriculture and home extension programs have been credited for many years with such service.

(*d*) Some Department of Labor employees who served in State employment services with $1 per year U.S. Employment Service appointments are receiving credit for such State services for the period of their Federal appointments only.

(*e*) Public Law 918, 84th Congress, provided that employees of the Department of Agriculture could build up credit under civil service retirement for as long as 2 years during which they are employed by the States, their political subdivisions, land-grant colleges, or colleges or universities operated by State or local governments.

4. The memorandum also states that the proposal would "constitute an unsound approach to a desirable goal of increased employee mobility."—The memorandum of disapproval includes a counter proposal that the desired coordination of retirement protection between Federal and State services be achieved by covering both types of services under OASDI. At present many State and local retirement system members and most Federal employees are still not covered under OASDI. The enactment of H.R. 3258 would not only afford many present Federal employees equitable retirement credit with regard to past services performed under Federal-State cooperative programs but would also take care of the situation perspectively since State and Federal OASDI coverage would need to be supplemented by staff retirement systems to provide a realistic solution.

CONCLUSION

In conclusion may we emphasize that the proposed legislation would assist in a more effective utilization of scientific and other badly needed personnel; would correct some long standing inequities among a small group of devoted and highly qualified public servants; and would improve the cooperative relationships between the Federal and State government in carrying on joint programs established by Congress for the common good.

Mr. Chairman, we hope your committee will act favorably on H.R. 3258 and proposed amendments.

Mr. DAVIS. If you will pardon an interruption, I wish you would point out the USDA employees who now have U.S. civil service credit.

Mr. LASSETER. Yes, I will be glad to do so. The county agents, the extension service, and many of the experiment station personnel have now been covered. The county agents generally are paid half and half, although I think in my hometown in Georgia, Mr. Chairman, the county pays a portion of it and the State pays a portion and the Federal Government pays a portion. Probably down there the Federal Government only pays one-third. However, he is under the Federal retirement system, the same as any civil service employee here in Washington, and personally I am glad that he has it.

Mr. GROSS. He pays on the same basis?

Mr. LASSETER. Yes, sir; pays in the same way. The group here to which I refer principally are two; those who engage in vocational agriculture and they are paid in my hometown half and half; half Federal and half State.

Mr. DAVIS. You are speaking of people who do not now come under this?

Mr. LASSETER. Do not come under this.

Mr. DAVIS. This legislation?

Mr. LASSETER. That is right. Let me make this point, Mr. Chairman. Your bill here, this legislation, has no intention of bringing those vocational agriculture employees under the Federal retirement system, and I want to make that clear all the way. I will have to repeat it continually because there is some misunderstanding about it. There are about 10,000 of those in the country and this does not envision bringing any of those in, but only those who at one time served in the vocational agriculture program under this Federal-State basis, and who have now served 5 years in the Federal service as civil servants.

I want to clear it up because of some statements made by the agencies opposing this bill and that was not made clear. The intimation was that all 10,000 would come in, and as a matter of fact, they would not.

Mr. DAVIS. In a period of at least 5 years?

Mr. LASSETER. He must have been in the Federal Government service at least 5 years.

Mr. DAVIS. Under exclusive Federal Government service?

Mr. LASSETER. That is right.

Mr. DAVIS. That is one of the prerequisites?

Mr. LASSETER. That is right.

Let me tell you another thing. I think a tragic inequity is that these people who are now in the service, while they were in the vocational agriculture service in the States, had no retirement protection whatsoever. There was no social security and they did not have that. They had no State retirement then and, of course, no Federal credit. Now they are a relatively small group of forgotten people.

I will say this. I have been closely conncted with them and I have seen them work and so have you gentlemen. There are no people, no Federal servants, who have done a better job than these vocational agriculture teachers and the Future Farmers of America group. All of us are indebted to them and they have certainly performed a national and a Federal service equal to that of the county agent, whom I greatly admire, and who have always been of great assistance to me.

As I say, these people have come in and I doubt whether very many will continue to come in to the Federal service although they are badly needed. The Department of Agriculture needs them badly and they cannot get them. There have been many misstatements made about the number of people included and in the veto measures of 1955 before this committee in the House, and before the Senate passed this legislation, they were concerned with the fact that some of them said that up to 80,000 people would be brought in under this. That means that everybody who worked in any program where there was any Federal funds would eventually come into the Federal service and stay there 5 years. We know that that is not going to happen.

Mr. DAVIS. You might deal more fully with that.

Mr. LASSETER. Yes, sir.

For instance, they gave a list from a statistical report of 1950, I think. These figures still hold and there were 80 then, and I think now probably 150 activities financed in part with Federal funds. They

gave figures as to the number of employees there. We analyzed that and made the statement in 1955 that out of those 80-some-odd Federal-State activities, there were less than 13 in which Federal funds were used for salaries.

Another thing is this. All of these people to whom I refer worked under Federal supervision. They were appointed under Federal standards and they had to be approved by Federal officials.

Mr. DAVIS. You are referring to the statement that these people would be brought under this legislation?

Mr. LASSETER. That is right. For instance, some of the programs were used then in opposition to this legislation and they were some of the programs where they gave grants in the West for forests, things, like that, where personnel were not involved. I adhere yet to the statement I made then, that the number involved is less than 6,000. We have only been able to count slightly over 5,000 and now, on that point, I want to get into the cost of this. Of course, that concerns all of us.

We made a survey in 1955 and it holds yet as to the number of these people. We got the average age, average years of service, and the grades in which they served. We computed that to project how much money they would pay into the retirement fund. Incidentally, they would pay for that service into the retirement fund the same amount that a regular classified civil servant would.

Mr. DAVIS. For the period of time they served in this dual capacity?

Mr. LASSETER. That is right.

In my statement then, we projected that to some $8,250,000.

I am talking from memory but I am sure about the amount that would have to be paid in and that was in 1955. That may be a little less now because, unfortunately, some of these good people have died since then. I know one gentleman who came here from Kansas, the head of the extension service out there, and a great man, Mr. Williams, but he subsequently died. He got no credit for his service in vocational agriculture. You see, his widow suffered, and anyhow this program will carry itself and be no drain on the retirement system, we estimate, for 8 years.

Mr. GROSS. What you are saying is that there will be a pay-in of $8.5 million in order to catch up?

Mr. LASSETER. That is right. For 8 years, $8,250,000, would carry this extra retirement.

There would be no drain on the retirement system.

Does that answer your question clearly?

Mr. GROSS. Yes, sir.

Mr. LASSETER. Thank you.

Now, I am going to revert to the statements of the Civil Service Commission and the Bureau of the Budget before the Senate.

I was hopeful that they would appear as witnesses before me here today but I understand that is impossible, so I can only comment here on what stand they took there.

They first said they were opposed to anyone receiving retirement credit where there was no Federal service performed. Another statement was made that amazed me.

Mr. DAVIS. Who made that statement?

Mr. LASSETER. Mr. Macy.

What amazed me was that he said in their 1960 act—Mr. Henderson, you will recall that—retirement credit was given the agricultural stabilization county employees, and that was the first breakthrough in this retirement system.

We know that is not correct and the record is there.

The first breakthrough was when the Extension Service was placed under, by Executive order, I think, in 1945 or somewhere in there, this system.

In 1957, after this legislation failed in 1955, there were 400 more brought in from the Extension Service by minutes 2 of the Civil Service Commission. Frankly, under the law they could do all of this by Executive order.

Mr. GROSS. This was by regulation or directive, then? Is that correct?

Mr. LASSETER. Absolutely.

Mr. GROSS. Not by law?

Mr. LASSETER. By what they call minutes, over there.

They brought them in under their own laws.

Mr. DAVIS. The Civil Service Commission?

Mr. LASSETER. The Civil Service Commission, yes.

Of course, in 1960, there was inclusion of the ASC. Parenthetically, they said that brought 42,000 into the service.

Mr. Henderson, you will recall, and I think you handled the subcommittee hearing on that, it was 14,000, so they made quite a little mistake of about 30,000.

Mr. HENDERSON. I might point out with that group they were only given the right to contribute and cannot automatically be brought under the retirement system. They were only given the right to pay in, as if they had been covered for those years, so we do not know that the entire 14,000 even will actually be covered in retirement?

Mr. LASSETER. Exactly. I will have to say very seriously that in connection with that legislation I have been dismayed by the misrepresentations of high-class people, fine public servants. I just cannot understand it.

I want to point out this. This is not a partisan matter, as you know. Mr. Gross, this was passed out of the Congress in 1954 when a different administration was in control of the House. Mr. Harvey of Indiana had a bill here and it did not get through this committee but it passed, and went through the House. Since then, probably concurrently with that, we have had other bills. Mr. Marshall of Minnesota, Mr. Harvey of Indiana, Mr. Davis of Georgia, Mr. Carlson of Kansas, Mr. Johnson of South Carolina, Mr. Davis of Georgia, and a dear departed friend, Mr. Carroll Reece. Then we have one by Mr. Natcher and again another one by Mr. Reece, James C. Davis, Mr. Carlson, and Mr. Teague.

There is nothing partisan about it and now I want to make another statement.

A man who is going to follow me here is one of the leaders in vocational education in America and he was the head of the Vocational Agriculture Division of the Office of Education. He was the adviser of the Future Farmers of America and he has made a thorough study of the Smith-Lever Act, which established the Extension Service, and of the Smith-Hughes Act, which established the Vocational Agricul-

ture Education Service under the chairman. You and I both are proud of the fact that both Mr. Smith and Mr. Hughes were Georgians.

If anyone can read those laws and distinguish between the amount of supervision accorded the Extension Service and the Vocational Agriculture Educational Service, I will certainly take my hat off to him.

Frankly, there is no difference between what I might call a legal right of these people, if the Extension Service has a legal right under the Smith-Lever Act, and then these people have a legal right under the Smith-Hughes Act.

I believe I might also point out that in my statement it points out the exceptions that have already been made in what the opponents of this say would "set an undesirable precedent."

Undesirable or otherwise, the precedent has been set and there has been, I think—and this is my personal statement—discrimination against certain employees of the Government who deserve a better fate.

In 1955, the General Accounting Office, the Comptroller General, appeared here opposing this legislation. My understanding is that this year they have withheld approval, or disapproval, saying, rightfully I think, that this is a matter for the Congress to decide.

Mr. GROSS. Who is this again?

Mr. LASSETER. The General Accounting Office, the Comptroller General.

So, this year they said it is up to Congress to decide.

The climate has also changed in other departments of the Government.

Mr. DAVIS. Mr. Lasseter, I think to get the benefit of your entire statement, without objection I will order it entered into the record at the beginning of your appearance and then your remarks and our colloquy with you will follow your statement.

Mr. LASSETER. Thank you. That will be all right.

Mr. DAVIS. Now I want to ask you a question or two.

Ordinarily, when a bill is referred to this committee, the House Post Office and Civil Service Committee, the chairman asks Government agencies and departments concerned to furnish reports on the legislation. I do not recall in this file any reports from the Department of Agriculture

Are you familiar with what has occurred in that respect?

Mr. LASSETER. Yes, I am.

The Civil Service Commission did file a report. It is, of course, in opposition.

The Department of Agriculture was asked for a report and I can say this: The Department of Agriculture sent in a favorable report on this legislation, as you know, to the chain of command which goes to the Bureau of the Budget. The Bureau of the Budget sent it back to the Department asking that they reconsider their stand. As of yesterday, the Department of Agriculture had not—perhaps I should say it a little stronger—I was told yesterday they refused to reconsider their stand on it. In other words, they wanted this legislation.

I was told yesterday, not quite as directly, that the Department of Labor had taken the same stand. They were in favor of it. They had been asked to reconsider.

Mr. GROSS. They were not in favor?

Mr. LASSETER. They were in favor of it, and so was the Department of Agriculture.

I am sure that if the proper officials of those Departments were called on to testify, they would have to confirm what I say, but I did not refer here to the fact that there are around 200 or 250 former employees of State employment services who did work under this Federal-State arrangement.

The gentleman who was formerly in the Employment Service will follow me here and give you more information about that, but I want to make this point clear. Their situation is exactly the same. They have the same rights under this legislation as do the Agriculture employees.

Mr. DAVIS. Are there any questions?

Mr. HENDERSON. Mr. Lasseter, I wonder if you might comment as to what the Federal portion of the cost would be if we assume that all of the employees who would be entitled to pay into the civil service retirement fund under the legislation were brought in under this, if the legislation were enacted? What would be the Federal Government's cost?

Mr. LASSETER. Mr. Henderson, I am afraid I cannot answer that. It would be the same proportion as of the whole classified service.

Mr. HENDERSON. It would be on a matching basis?

Mr. LASSETER. On the same matching basis. I am sure that the Federal Government generally pays more than the employee, and that situation would, I assume, continue here.

The point I am making is this. This extra retirement of these employees would be paid for for a period of 8 years. In other words, they would be no more burden on the Federal retirement system than if they had been in the Federal service all the time, you see.

Mr. HENDERSON. The Federal Government's obligation would not arise until the employee had actually paid in his portion?

Mr. LASSETER. That is right.

Mr. HENDERSON. That is all.

Mr. DAVIS. Mr. Gross?

Mr. GROSS. Mr. Lasseter, was it 2 years ago that ASC employees were given all the fringe benefits?

Mr. LASSETER. Yes, sir.

Mr. GROSS. Then they are already under the Federal retirement system and not included in this bill?

Mr. LASSETER. No; my statement here goes into that.

Mr. DAVIS. How many of those were there?

Mr. LASSETER. The total number of employees, about 14,000. As Mr. Henderson points out, I do not know how many elected to come under it. It was optional.

Mr. GROSS. You mean ASC employees numbered about 14,000?

Mr. LASSETER. 14,000 throughout the country.

Mr. GROSS. You do not know how many of those elected to come under this?

Mr. LASSETER. I would say that a great portion of them did.

Mr. GROSS. Those people are not actually Federal employees, are they?

Mr. LASSETER. That is another fine distinction. They are paid altogether by Federal funds.

Mr. GROSS. Yes.

Mr. LASSETER. Their appointments are approved by Federal officials. They are under the Hatch Act as Federal officials, practically complete control of the Federal Government.

Mr. GROSS. On the other hand they are hired and fired by the county committees who are not Federal officials?

Mr. LASSETER. That is right.

They do not have tenure.

Mr. GROSS. In the sense that the county committees are elected by farmers in the counties?

Mr. LASSETER. Absolutely; that is right.

Mr. GROSS. So these people were brought under, you are saying, 2 years ago, these benefits, all the fringe benefits?

Mr. LASSETER. This is right.

Mr. GROSS. Including the retirement system?

Mr. LASSETER. That is right.

Mr. GROSS. They were not Federal employees in the strict sense of the word?

Mr. DAVIS. There were nearly three times as many of them, I believe, as would be involved in this legislation?

Mr. LASSETER. All of these are, Mr. Gross. All of these people. What you say is absolutely correct about that other group. They do not yet have tenure or they are not yet in the civil service classified service.

Mr. GROSS. I am not trying to make an invidious comparison of the two. I am merely trying to arrive at an understanding of what has been done in the past, by comparison with what is proposed here.

Mr. LASSETER. I can say this. That has been done. This, of course, is from the standpoint of a departure and is a minor one, really. All of these people here are in the classified Federal civil service now.

Mr. DAVIS. Did I understand you to say that there were approximately 5,000 of them who would be affected by this legislation?

Mr. LASSETER. We estimated in 1955, when we circularized every one throughout the State, we pretty well could say that there were less then than 6,000. We said "less" but all we could find were about 5,600.

Mr. DAVIS. Some of those have passed away in the meantime?

Mr. LASSETER. Some of those have died. I know several who have died since then, and some of them have given up, I suppose, in the meanwhile and have become discouraged. This is a comparison of some of the things and this is minor.

Mr. GROSS. May I ask this question, Mr. Lasseter.

Mr. Chairman?

Mr. DAVIS. Mr. Gross.

Mr. GROSS. Do any of these people come under State retirement systems?

Mr. LASSETER. None of these are now; no, sir. If I remember correctly, and I think if they did come in—I ought to know it better—this limits the total amount they could receive to 80 percent. If they did receive some, they could not receive more than 80 percent of the combined amount.

Off the record, please.

(Discussion off the record.)

Mr. LASSETER. Incidentally, I have had some complaints out in the field about this legislation because of that limitation. We still stick to it.

Mr. GROSS. A substantial majority, if not all of the people who would be benefited, want to come under this system; is that correct? This is not doing something else, but it is involuntary on their part as to whether they come in or not?

Mr. LASSETER. Some of them may not want to pay it back; some of them may not want to do it.

Mr. DAVIS. And if they do not make the contribution?

Mr. LASSETER. According to the law, they do not come under it. I will talk to that point. We would like to have them treated as everybody else and have the opportunity of coming in or not, but from a fiscal standpoint, the steering committee, which directed me to appear here, is quite willing that that should remain in there.

In other words, they are willing to pay back. For instance, when I retired, I owed to the retirement fund about $3,000 if I had all of my service credited. I did not pay it back because if I had paid $3,000, my retirement would have been increased by $300 a year. I decided I had better do something else with that money and some of these people might do the same thing.

Mr. DAVIS. Are there any further questions?

Mr. GROSS. No, sir.

Mr. DAVIS. Mr. Henderson?

Mr. HENDERSON. No questions.

Mr. DAVIS. Thank you very much.

Mr. LASSETER. Thank you, gentlemen.

Mr. DAVIS. The next witness is Dr. W. T. Spanton, former Director, Agricultural Education Branch, U.S. Office of Education.

Have a seat, Dr. Spanton, and we will be glad to hear your testimony.

STATEMENT OF DR. WILLIAM T. SPANTON, FORMER DIRECTOR OF THE AGRICULTURAL EDUCATION BRANCH, U.S. OFFICE OF EDUCATION

Mr. SPANTON. My name is William T. Spanton. I am appearing today as the "retired Director" of the Agricultural Education Branch, U.S. Office of Education. I am speaking in support of H.R. 3258, on behalf of approximately 65,000 teachers, State supervisors, teacher trainers, and State directors of vocational education in agriculture, trades and industries, home economics, and distributive occupations and the 44 professional employees in the Vocational and Technical Education Division of the U.S. Office of Education, as well as myself. These educators heartily support this legislation, even though only a few may eventually receive direct benefit from it.

This proposed legislation is long overdue. In my opinion, it would correct one of the most serious and discriminatory inequities and injustices ever perpetuated, unintentionally no doubt, but allowed to exist for many years among certain groups of Federal employees. This is true, since retirement credit for previous service in a State,

as a State or county employee in agricultural extension work, has been granted for several years by the U.S. Civil Service Commission through administrative action. Credit for similar previous service in the States in the Federal-State cooperative program of vocational education, which operates under the provisions of the Smith-Hughes Act of 1917, has been denied consistently by the U.S. Civil Service Commission. In addition, section 115 of Public Law 568, 86th Congress, approved July 1, 1960, provides that "persons employed by the county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act" in the several States are eligible to participate in the benefits of the U.S. Civil Service Retirement System and in Federal Group Life and Health Insurance programs.

I suppose Mr. Lasseter and I should have gotten together because some of my statements overlap some of the statements he made.

When the Smith-Hughes (Vocational Education) Act of 1917 and the Smith-Lever (Agricultural Extension Service) Act of 1914 are compared, paragraph by paragraph, by any unbiased person, he would be compelled to admit that they are so similar that either act could be paraphrased in most instances and you would have the other. If there is any difference between these two acts, it is that there are a great many more Federal standards and controls specified in the Smith-Hughes Act of 1917, than those enumerated in the Smith-Lever Act of 1914.

I, personally, would receive very little benefit from this proposed legislation. However, I know, from my approximately 37 years of experience in the Federal service, of the great difficulty encountered in recruiting persons from the States who possess the necessary professional and technical training and experience in the Federal-State cooperative programs of vocational education to fill responsible positions. Other departments of Government are experiencing the same difficulty. This is due largely to the fact that many highly qualified individuals, hesitate to accept positions with the Federal Government, even at an increase in salary, when they know that under present civil service regulations they will receive no retirement credit for their State service in a Federal-State cooperative program, other than that granted to State and county employees in the Federal-State cooperative program of agricultural extension work. An outstanding example of this situation occurred in the Agricultural Education Branch of the U.S. Office of Education just a few years ago while I was serving as Director of the Branch. A Dr. George O'Kelley, of the University of Georgia, was selected to fill a responsible position in our Branch as specialist in teacher training and research, at a time when bills similar to H.R. 3258 were pending in the Congress and when we had reason to believe they would be enacted into law. When this did not occur, Dr. O'Kelley resigned his civil service position as a Government employee in our Branch and returned to his former job at the University of Georgia. This was done, according to Dr. O'Kelley, because he could not afford to lose his approximately 20 years of State retirement credit at the university, and start all over again as a U.S. civil service employee under conditions which did not permit him to secure Federal retirement credit for his work at the University of Georgia. We considered Dr. O'Kelley as one of

the most outstanding men in the United States for this particular job and greatly regretted losing him.

I might add that after he resigned we got another man to take his place and he served only about a year and he resigned also.

Mr. John W. Macy, Jr., Chairman of the U.S. Civil Service Commission, has stated that:

> This system (the U.S. civil service system) was created exclusively for the retirement of Federal and District of Columbia employees. It was designed to provide retirement benefits as postemployment recognition for faithful service to the United States as an employer.

He stated further that:

> We are opposed to any proposal which departs from the concept that retirement credit is proper only where the employer-employee relationship existed between the Government and the individual.

If that is the policy of the U.S. Civil Service Comission, then why did it adopt minutes 1 and 2 on November 29, 1938, authorizing U.S. civil service retirement credit for certain employees in State agricultural extension services, who later enter the Federal classified service? And why were minutes 3 and 4 of July 29, 1944, adopted by the Civil Service Commission which provided that those persons who are presently employed in the several States by land-grant colleges as agents or collaborators in the Federal-State cooperative agricultural extension service be eligible for Federal retirement benefits if they have Federal appointments (as agents or collaborators) and if their work is under the supervision of a Federal official?

It is interesting to note some statements contained in an official mimeographed brochure of the U.S. Department of Agriculture entitled "Applicability of Retirement Laws," issued August 1949.

On page 4 of this brochure, under the general heading of "Extension Service" the following sentence will be found:

> The Director of Extension in the State is primarily responsible for the hiring of State personnel and county extension workers.

Further on, in the next paragraph, the following sentence states that—

> The county extension offices, which are generally staffed by a county agent, professional and clerical employees, are under the direct administration of the State college.

It is also significant to note that while the Smith-Lever (Agricultural Extension) Act of 1914 makes no provision for the Secretary of Agriculture to appoint State and county extension workers, nor does it designate the method of hiring them, an amendment to provide for mutual selection by the Department of Agriculture and the State college was offered and rejected by the Congress. (See p. 2521, vol. 51, pt. 3, 63d Cong., 2d sess.) In opposing this proposed amendment, Senator Hoke Smith of Georgia, a sponsor of both the Smith-Lever (Agricultural Extension) Act of 1914, and the Smith-Hughes (Vocational Education) Act of 1917, stated that:

> I wish to call his attention to the fact that this bill limits the employment of the force and the conduct of this work exclusively to the colleges of agriculture. The Department of Agriculture here will not employ a man, will not control the work, and will have no connection with the actual work done, but the State college will conduct the work (p. 1832, Jan. 17, 1914, Congressional Record, 63d Cong., 2d sess.).

There is no desire on my part, nor on the part of anyone I know, who is interested in this proposed legislation, to discredit the Civil Service Commission nor to criticize the Agricultural Extension Service in regard to these administrative decisions. In fact, we congratulate the Civil Service Commission for its liberal interpretation and administration of the Civil Service Retirement Act, insofar as it relates to the Agricultural Extension Service of the U.S. Department of Agriculture. I would be the last to recommend a reversal of this policy, even though employees in other departments of the Government have been unable so far to secure, through legislation or administrative action, equitable recognition for State experience in almost identical types of Federal-State cooperative programs.

It should be noted that H.R. 3258 does not seek in any way to secure U.S. Civil Service Retirement benefits for individuals, so long as they are presently employed in the several States in a Federal-State cooperative program, as is now true of approximately 14,000 State and county Agricultural Extension workers. All that is sought is the right for such individuals, after they have spent a minimum of 5 years in the Federal service as a regular civil service employee, to be allowed credit toward their Federal retirement for the time spent by them in the States on a Federal-State cooperative program, financed in whole or in part from Federal funds.

Some persons have stated that this proposed legislation might bring into the Federal retirement system many thousands of potential beneficiaries. This statement is extremely misleading. For instance, there are at present over 10,000 teachers of vocational agriculture in the United States, but everyone knows that only a very small percent of them would ever enter any branch of the Federal service. They would not be beneficiaries of this proposed legislation, unless and until, they actually enter the Government service as regular civil service employees, and not then, until they have served at least 5 years as a civil service employee.

It has also been claimed by some that a great many more federally aided programs should be recognized other than those covered by this proposed legislation. It is true that there are a great many Federal grants-in-aid programs made to the States (probably 150 or more). But it is also true that there are only a very few programs, probably not more than six or eight, in which Federal funds are used in whole or in part, for salaries of employees in Federal-State cooperative programs who are working in the States under cooperative Federal-State agreements or plans in which specific standards, controls, and regulations are required and must be approved and supervised by U.S. Government officials. Most grants-in-aid programs do not require the close cooperation and supervision in the preparation and approval by a Federal agency of detailed State plans for administering these programs, as is true of the Federal-State cooperative programs covered by this proposed legislation.

I trust that your committee will give this much-needed legislation your favorable consideration. Thank you.

Mr. DAVIS. Mr. Gross.

Mr. GROSS. I do not believe I have any questions.

Mr. DAVIS. Thank you very much for your comprehensive statement.

Mr. STANTON. Thank you.

Mr. DAVIS. The next witness will be Mr. Martin F. Carpenter, on behalf of employees of the Federal Bureau of Employment Security.

STATEMENT OF MARTIN F. CARPENTER, ON BEHALF OF EMPLOYEES OF THE FEDERAL BUREAU OF EMPLOYMENT SECURITY

Mr. CARPENTER. I have been retired for the last 3 years. I have nothing personal to gain by this legislation; oh, I might get 3 months' additional retirement credit because a delay in getting certain papers through occurred.

I would like to read this statement. It somewhat duplicates those of the last two witnesses.

Before I read this statement, I would like to state I started as a Federal employee in the National Reemployment Service in Indiana. The State man left 6 months after I entered the service and I was asked to take over as director of the Indiana State Employment Service. I was a dollar-a-year man for the Reemployment Service thereafter. I did receive credit for that.

I am Martin F. Carpenter and am a retired employee of the U.S. Employment Service, U.S. Department of Labor, having served in various capacities, including Director of the USES. I am also the former Director of the National Reemployment Service, U.S. Department of Labor, and the State employment service in Indiana. I speak for a group of Federal employees who have served in various capacities in the Federal-State cooperative employment service and employment security programs in the various States and are now serving in the Federal Government in various capacities.

First, I want to express our sincere appreciation to Judge Davis, the distinguished chairman of this subcommittee, and to the distinguished members for the privilege and opportunity of appearing before them to express our point of view concerning the proposed legislation, H.R. 3258, known to us the Davis bill. We are quite aware of Judge Davis' personal interest in finding a fair and equitable solution to this problem. We know, too, that the members of this committee are sincerely interested in learning of the reasons why we as Federal employees, past and present, are so concerned with and dedicated to the improvement and increased effectiveness of the Federal-State employment service program. We believe sincerely that the passage of this bill would be a major step forward in the accomplishment of this worthy purpose.

The Employment Service as a national institution, had its beginning as the U.S. Employment Service during World War I. In 1919, during the closing months of the year, following the end of the war the Service assumed the first elements of a Federal-State service. Through the dividing of the small Federal appropriation among the cooperating States a beginning was made in developing a nationwide service. I wish to point out here that not all of the States took advantage of the offer, but a goodly number did. Among them were New York, Minnesota, Wisconsin, and Ohio. In this beginning era Federal funds were used to pay the salaries of some staff members distributed through the States, for quarters, operating forms and materials, the franking privilege, and some supervisory services. The

personnel who were federally appointed workers performed identical duties as their coworkers on State and, in some instances, municipal payrolls. A Federal director in cooperating States, usually on a dollar-a-year basis, provided the Federal link to the national organization. This arrangement continued until the passage of the Wagner-Peyser Act of 1933, which was a grant-in-aid program, and the organization of the National Reemployment Service during the depression-recovery years. The enactment of the Social Security Act of 1935 led to the 100-percent financing of the Employment Service-employment security program.

The nationwide Employment Service-employment security program which was given great impetus under the Social Security Act developed a completely new set of occupational skills unlike any in existence. They were neither personnel or employment skills nor were they vocational guidance or job counseling skills, but were a combination of all four with some added special-purpose skills. Almost from the beginning the national developmental and supervisory share in the program required the recruitment of skills from the "apprenticeships" of the State employment service and State employment security agencies. The nationwide program has become one of a highly integrated, closely knit organization of new skills and new knowledges which cannot be recruited from the usual sources of learning and experience.

During recent years the salary schedules and other employment benefits of the State agencies have gradually risen to where they are comparable to the levels of the salaries and other benefits of Federal employees. There is little incentive for the employment security experts of the State agencies to shift to the national program unless some of the benefits of tenure and service shift with them. Many of those for whom I speak have transferred to the national organization in the hopes that this legislation would be enacted to permit them to carry on with their retirement plans. Retirement benefits are an extremely important and vital element in each individual's economic plans and no one could be better informed or concerned about this matter than these workers. Workers are reluctant to leave behind them 10 years, 5 years, or even 3 years of their retirement rights. The right to take those benefits with them to another arm of the program and to put their retirement funds into the Federal system should not be denied them.

As workers whose hearts and minds have been dedicated to this program, my associates in the Federal service are loath to recommend to their colleagues in the States, who are considering transferring to the national organization, that they join the Federal staff unless they are at least not penalized for their action. Refusal to permit they to "buy" into the Federal retirement system is a penalty they should not be expected to pay for their willingness to make their skills and knowledges available to the national organization.

In the foregoing comments, I have dwelt entirely upon the wisdom of recognizing collaborative nature of what we now refer to as the employment security program. It is a new and developing manpower system that should be facilitated in its operation and expansion. Efficient operation should not be impeded by vertical lines of organization. I firmly believe from my experience both as a State and Federal official that the arrangement works well with its shared responsibilities

but the mobility of its best professional minds should be encouraged—not discouraged.

In spite of what its critics say, H.R. 3258 does not and cannot grant Federal retirement rights to State employees. Any statement to the contrary is pure misstatement of fact. The bill calls for 5 years of Federal service—exclusive of military—and the employee must retire from the Federal service or die in the service to benefit. Probably not more than 250 persons now in the Federal service—or who have recently retired—who entered from the State Employment Service-Employment Security program would benefit. Fair estimates are that probably this number could be increased by 25 persons or so each year. That is all we can hire under our budget. Furthermore, in order to benefit, an employee would need to pay into the retirement fund the employee's share with compound interest in accordance with usual formula. Some persons would not elect to repay this amount.

It is our opinion that the U.S. Civil Service Commission has already provided adequate precedent for this legislation. I refer specifically to (1) provision for retirement credit for certain persons employed in the District of Columbia School system who are credited with service in other non-Federal educational systems, (2) certain county employees in the Agricultural Extension Service who receive credit for service without prior Federal appointment under Minute 2 of the U.S. Civil Service Commission dated September 1957, (3) county employees in the soil conservation service under a section of the 1960 Federal employee pay raise bill, (4) other Department of Agriculture employees with $1 per year appointments have been credited for many years for certain State, county agriculture and home extension service, and (5) some Department of Labor employees who served in the State employment service with dollar-a-year USES appointments have been credited for such service. Strangely not all such $1 a year USES appointments under substantially similar conditions are credited.

In summary, I point out that: first, the cooperative Federal-State system of the nationwide employment service-employment security program is in fact a singly coordinated operation dependent substantially for its success and continued progress on the availability of highly qualified, seasoned professional personnel trained in the solution of the day-by-day and long-range problems of the labor market. The single source of qualified persons is the training ground of State and local office operations of these agencies. Second, equitable treatment of these employees with those who have acquired recognition in some instances in the USES and by Department of Agriculture employees, is only fair.

Many thanks again for the opportunity and privilege of presenting our case to this distinguished committee.

(Fact sheet follows:)

FACT SHEET

RETIREMENT COVERAGE IN THE U.S. CIVIL SERVICE COMMISSION'S RETIREMENT SYSTEM FOR FEDERAL EMPLOYEES WITH PRIOR SERVICE IN FEDERAL-STATE EMPLOYMENT SERVICE AND EMPLOYMENT SECURITY PROGRAMS

(*a*) *Purpose*

The purpose of this legislation is to provide that certain service in a Federal-State employment service or unemployment insurance system which carries out the purposes of a Federal law should be creditable for CSC retirement purposes

when (1) a Federal employee has 5 or more years of other Federal creditable service (exclusive of military service), and (2) has paid into the Civil Service retirement fund the amount (plus interest) he would have paid had the entire service been on the Federal payroll.

(*b*) *Coverage*

1. Estimated 250 persons now on Department of Labor payroll who retired since 1942. (Date set by House Committee in previous draft.)
2. Maximum of estimated 20–25 who would be recruited for the Department of Labor each year.
3. Duplication of coverage would be eliminated by deducting amount of State annuity (if any) from the CSC annuity.

(*c*) *Precedent*

1. *Teachers under the government of District of Columbia retirement system.*—Teaching experience under other school systems and non-Federal jurisdiction is now creditable.
2. *Certain county employees of Agricultural Extension Service* receive credit for service under Minute 2 of the U.S.C.S.C. dated September 1957.
3. *County employees of Soil Conservation Service* are credited with service under P. L. 568 (1960 Federal employee pay raise bill) passed over President's veto 1960.
4. *Department of Agriculture employees with $1 a year appointments* while employed in State and county agriculture and home extension programs have been credited for many years with such service.
5. *Some (not all) Department of Labor employees* who served in State Employment Service with $1 a year USES appointments are receiving credit for such State services for period of Federal appointment.

(*d*) *Justification*

1. State employment security agencies are best training ground for Federal Employment Security jobs. High percentage of best qualified eligibles refuse to accept because of loss of retirement credit in most States.
2. Some employees under identical supervision, work place, work performed, reporting requirements, use of Federal franking privilege, and identical responsibilities and authority are denied credit, because of the circumstances of juggling payrolls to meet the financing conditions of joint services of the Federal Government and cooperating State governments. Because of these circumstances two employees working together might be on different payrolls, one Federal and the other State. This legislation would remove this inequity, but only when the employee has been a Federal employee for 5 or more years.
3. The Employment Security program is now financed by 100 percent grants of Federal funds. Prior to passage of Social Security Act, the Federal-State cooperative program was jointly financed by the States and the Federal Government in those States which provided such service.

(*e*) *History*

1. Bill passed by the Congress applying to Agriculture employees only was vetoed by the President in 1955. Substantially on the premise that this would give retirement credit to State employees which is not true of its proposed legislation.
2. Basis for veto was that State employees would be added to the retirement fund. Misunderstanding or misstatement in the veto message since beneficiaries must be on the Federal payroll for 5 or more years before eligibility is established.
3. Veto message stated responsibility for retirement belonged to the States since these were State employees. *This legislation does not contemplate covering State employees*, only Federal employees (with certain service in Federal-State cooperative programs which carry out the purpose of Federal laws) who have been in Federal service over 5 years (not including military service) and who either retire or die while in the Federal service.

Mr. GROSS. Let's see if I am clear on this.

You were a dollar-a-year employee at one time and you were credited for those years for which you were paid $1 a year?

Mr. CARPENTER. Yes, and I had to pay in against that.

Mr. GROSS. You had to pay what?

Mr. CARPENTER. On the 5 years that I was a dollar-a-year man. In my particular case, it did not cost me a lot. When I was in Indiana as a dollar-a-year man, I only had to pay that portion of $1 a year.

Mr. DAVIS. What benefits did you receive from that?

Mr. CARPENTER. I got 5years of credit.

Mr. DAVIS. In dollars and cents, what would that amount to?

Mr. CARPENTER. In those 5 years?

Mr. DAVIS. Yes.

Mr. CARPENTER. I have not figured that. I would have had 22 years without it. If my memory is right, I would get about $350 at 22 years. That is net. The 5-year benefit would be about $90 a month.

Mr. DAVIS. The 5-year period would result in about $90 a month benefit to you, even though it was a dollar-a-year salary and you only paid on that basis?

Mr. GROSS. What did you pay in on the basis of this $1?

Mr. CARPENTER. Altogether, a little over $100.

Mr. GROSS. Total, or $100 per year?

Mr. CARPENTER. I know exactly the figure. It was $79 and some cents that I had to pay in.

Mr. GROSS. Total?

Mr. CARPENTER. Total. I had been paying my 3 and 6 percent on other creditable service.

Mr. GROSS. A total for the 5 creditable years?

Mr. CARPENTER. Yes.

Mr. GROSS. That was a pretty good bargain.

Mr. CARPENTER. It was a mighty good bargain for me.

Mr. GROSS. These $1-a-year men are not just $1-a-year men. We do pick up something for these $1-a-year men. This is no reflection on you.

Mr. CARPENTER. I have some of the $1 checks that I still keep as a souvenir.

Mr. DAVIS. Thank you, Mr. Carpenter, for your testimony.

Mr. LASSETER. In my prepared statement—I did not comment when I was on the stand—but those who have been included in this retirement are: Department of Agriculture employees with $1-a-year appointments, while employed in State and county agriculture and home extension programs, have been credited for many years with such service.

Some Department of Labor employees who served in State employment services with $1-a-year U.S. Employment Service appointments are receiving credit for such State services for the period of their Federal appointments only.

Mr. DAVIS. While we are speaking about the $1-a-year benefits, how is the employee contribution computed?

Mr. Carpenter said for his 5-year service as a $1-a-year man he paid in $79 and some cents. How is that contribution computed?

Mr. LASSETER. I could not answer that.

I will say this. Before 1923, I was given full credit for that and I paid nothing.

Mr. HENDERSON. It might be the Civil Service Commission witnesses could inform us.

Mr. LASSETER. How he paid $79, I do not know. I thought he would pay about 79 cents.

Mr. DAVIS. Mr. Carpenter, could you tell the subcommittee how that $79 total payment was computed?

Mr. CARPENTER. When they first sent me the bill it was for $1,870. When they cut it down to $79, I did not raise any question, so I do not know. It is possible that the first 6 months I was on the National Reemployment Service payroll had not been computed.

Mr. GROSS. I do not blame you for not raising a question.

Mr. DAVIS. Our last witness this morning will be Mr. John McCart, director of legislation, American Federation of Government Employees.

STATEMENT OF JOHN McCART, DIRECTOR OF LEGISLATION, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. MCCART. The American Federation of Government Employees endorses the four bills which are the subject of the hearing today by this committee. We believe it is equitable and fair to extend the benefits of the Federal Civil Service Retirement Act to that part of a Federal employee's work record which represents service in operating major programs financed wholly or in part by the Federal Government.

In this statement we will indicate our appraisal of each measure under consideration, as well as the extent to which it achieves the overall legislative purpose. The bill enacted should have broad coverage, so that a Federal employee who has been employed by a State in the operation of programs wholly or partly financed by Federal funds may benefit by having his State service credited toward his Federal retirement annuity.

There is ample justification for this extension of retirement benefits. First, retirement benefits for this prior service would in each case be contingent upon employment in the Federal service. Secondly, it would be necessary for the individual benefited to have been working on programs which for all practical purposes are Federal programs.

While these State programs would not in fact fulfill the definition of "Federal employment," it is practical to look upon them as extension of Federal work in the particular fields with which they are identified. These State projects form a needed and valued source of personnel who come to their later Federal duties trained and experienced in the work they are to carry on for the Federal Government.

Opponents of this legislation virtually make it appear as an uncontrolled movement to confer retirement benefits on that still larger number of persons working on these State programs who never enter Federal service. This criticism also implies that ultimately any service outside the Federal civil service may qualify as the basis for coverage by the Federal Retirement Act. We believe that Congress may be depended upon in the years to come to guard the integrity of the retirement system well enough to prevent coverage from exceeding defensible limits.

Ample precedent already exists for extending the coverage of the Federal Civil Service Retirement Act to those Federal employees who have served in certain State or Federal-State programs described in

these four bills. Such coverage was provided in Public Law 86–568, approved July 1, 1960. The pertinent provision of that law authorized crediting for retirement purposes employment as county employees of the soil conservation and domestic allotment services to Federal employees having at least 5 years of Federal service.

There are additional instances of Federal Government or District of Columbia government employees receiving retirement credit for outside employment. Teachers under the District of Columbia teachers retirement system may be credited with public school service or its equivalent outside the District of Columbia. Department of Agriculture employees having $1-a-year appointments in State and county agricultural and home extension programs have been credited with such service for many years. Some Department of Labor employees who have served in State employment services with $1-a-year appointments are receiving credit for such State services for the period of Federal appointment.

The significant requirement of the proposals to credit State or county service in federally supported programs toward Federal retirement benefits is that the employee so benefited must have served at least 5 years in a regular Federal civil service position. Federal funds are used to pay for these services, though they are performed directly in the employ of States or their political subdivisions. The very fact that the Federal Government is so heavily involved financially indicates the advantages it receives from these programs.

The scope of the four bills is narrower than that of the act of 1960 in that that act extended coverage by the Retirement Act and also by the Federal Employees' Group Life Insurance Act and the Federal Employees Health Benefits Act.

The Davis bill, H.R. 3258, is identical in its provisions with S. 387, sponsored by Senator Carlson. It would allow credit under the Civil Service Retirement Act to Federal employees for prior service in a program authorized by act of Congress and financed wholly or partially by Federal funds. The Teague bill is similar but covers the former county employees of the soil conservation and domestic allotment service who were brought under the Retirement Act by the 1960 act already mentioned.

The scope of the Reece bill is broad in that it does not require congressional authorization of cooperative programs and includes also service under the National Emergency Relief Administration. The bill introduced by Representative Natcher, H.R. 1058, parallels the Senate bill, S. 2363, of Senator Johnston, which allows Federal retirement credit for State service in certain specified agricultural and educational programs.

All bills require 5 years of Federal service and certification by the head of the agency which administers the law authorizing the service which is to be credited. The Natcher, Davis, and Reece bills specify deposit in the Federal retirement fund of an amount equal to the deductions which would have been made from the employee's salary if the service credited had been in direct Federal employment. The Teague bill does not specify deposit. An employee would have the option of making a deposit or accepting a corresponding reduction of his annuity.

The Davis and Teague bills provide for adjustment to the new basis of all prior service credits from June 30, 1942, to the date of enactment. The Natcher bill provides for adjustment back to June 30, 1954. No adjustment is included in the Reece bill.

We also wish to state our support of still another bill—H.R. 1927, sponsored by Mr. Davis—which provides for the extension of survivorship benefit rights. Entitlement to election of survivorship benefits by an employee qualifying for a deferred annuity began with the Retirement Act Amendments of 1956. The Davis bill would carry back such entitlement to June 30, 1953. We concur in the purpose of this bill.

Mr. DAVIS. That concludes the hearing for today. The hearing will be continued next Wednesday at 10 o'clock.

(Whereupon, the committee recessed, Wednesday, June 6, 1962, to reconvene at 10 a.m., Wednesday, June 13, 1962.)

RETIREMENT CREDIT FOR FEDERAL-STATE SERVICE; EMPLOYEE ORGANIZATION HEALTH PLANS; SURVIVORS' ANNUITIES

WEDNESDAY, JUNE 13, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, House Office Building, Hon. James C. Davis (chairman of the subcommittee) presiding.

Mr. DAVIS. The subcommittee hearings will continue this morning on H.R. 10539 and related bills, proposing an amendment to the Federal Employees Health Benefits Act; H.R. 3258 and related bills, proposing to allow credit under the Civil Service Retirement Act for service in Federal-State cooperative programs; and H.R. 1927, to provide for certain survivor annuities in additional cases.

We also have for insertion in the record a letter in support of H.R. 1927 from Mr. Glenn R. Simcox, president of the National Association of Retired Civil Employees. Mr. Simcox suggests an amendment to H.R. 1927 to remove the starting date of June 30, 1953, from the bill and make the provisions apply to all separations prior to October 1, 1956, which are accompanied by the right to a deferred annuity.

(The letter referred to follows:)

NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES,
Washington, D.C., June 12, 1962.

Hon. JAMES C. DAVIS,
Chairman, Subcommittee on H.R. 1927,
Post Office and Civil Service Committee,
House of Representatives.

DEAR JUDGE DAVIS: Thank you for this opportunity to express the views of the National Association of Retired Civil Employees concerning your bill, H.R. 1927, to provide for certain survivors' annuities in additional cases under the Civil Service Retirement Act.

Prior to the enactment of Public Law 84-854 on July 31, 1956, an employee separated from the service with entitlement to a deferred annuity was denied the privilege of electing a reduced annuity and designating his spouse to receive a survivor annuity in the event of his prior death. Public Law 84-854 permitted such a deferred annuitant, if his annuity started after October 1, 1956, to elect a reduced annuity and designate his spouse to receive a survivor annuity. This privilege continued to be withheld from those deferred annuitants whose annuities started before October 1, 1956. H.R. 1927 would extend the same privilege to a deferred annuitant whose annuity started between June 30, 1953, and October 1, 1956.

Our association is opposed to all discrimination in benefits and privileges for civil service annuitants, based on calendar distinctions. We are in favor of the purpose of H.R. 1927 to give retroactive effect to a provision of the 1956 law.

However, we believe the bill should be amended to avoid establishing a new calendar discrimination between those separated before and after June 30, 1953.

Accordingly, we recommend that the words, "prior to October 1, 1956" be substituted in lines 2 and 3, page 1 of the bill, for the words, "on and after June 30, 1953."

Sincerely,

GLENN R. SIMCOX, *President.*

Mr. DAVIS. Also, additional hearings have been scheduled for next Wednesday, June 20, at 10 a.m., to receive testimony from the Civil Service Commission witnesses, the Honorable John W. Macy, Jr., Chairman; the Honorable Frederick J. Lawton, Commissioner; and Mr. Andrew J. Ruddock, Director of the Bureau of Retirement and Insurance.

We have listed as the first witness today the Honorable Glenn Cunningham, a colleague from Nebraska, who is sponsor of H.R. 11467.

Mr. Cunningham is not yet here, however, and we shall take him as a witness when he comes in.

The first witness to be heard will be Mr. Harold McAvoy, national president, National Association of Post Office Mail Handlers, Watchmen, Messenger & Group Leaders, on H.R. 10539 and H.R. 11202 and H.R. 11467.

STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT, NATIONAL ASSOCIATION OF POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, & GROUP LEADERS; ACCOMPANIED BY ANDREW W. CARNIATO, CHAIRMAN, EXECUTIVE BOARD

Mr. MCAVOY. Thank you, Mr. Chairman.

Mr. DAVIS. I believe you are accompanied by Mr. Andrew W. Carniato, who is chairman of your executive board?

Mr. MCAVOY. That is right.

Mr. DAVIS. You may proceed, Mr. McAvoy.

Mr. MCAVOY. Mr. Chairman and members of the subcommittee, for the record my name is Harold McAvoy. I am national president of the Post Office Mail Handlers, Watchmen, Messengers, & Group Leaders and our membership in our mail equipment shops.

We are members of the American Federation of Labor-Congress of Industrial Organizations and the Government Employees' Council. Our national office is located at 900 F Street NW., Washington, D.C.

I am accompanied by our chairman of our executive board, Mr. A. W. Carniato.

Mr. Chairman, the three bills before you and the committee, H.R. 10539, Congressman James C. Davis of Georgia; H.R. 11467, Congressman Glenn Cunningham, of Nebraska; and H.R. 11202, Congressman Walter H. Moeller, of Ohio; are fully endorsed by our national organization. These bills will amend the Federal Employees Health Benefits Act of 1959 and provide additional choice of health benefit plans for our people. Under the original law of 1959, employee groups could not participate as carriers unless they at the time already had a health insurance program of their own.

The Civil Service Commission, I understand, points out that our people, in this case, are eligible to join at least four employee organizations who have health benefits plans. This is one of their principal reasons, I am led to believe, for not approving the bills now under

consideration by this committee. I would like to point out, at this time, that this is only part of the overall picture. For your information, before one can become part of said organization's hospital plan, one must join said organization as a member. As I brought out before the full committee on pay, when I testified last Thursday, June 7, you, the committee members, have heard the testimony of the letter carriers and the clerk organizations. These organizations stressed the need for an immediate pay increase. This part of their testimony I fully endorse. To go on, I would like to point out that the letter carrier and clerk are both in pay level No. 4. Our people are in pay level No. 3, and therefore in no financial position to stay as members of our national mail handlers organization after joining the letter carrier or clerk organizations. Their reason for joining? Their hospital plan. Much to my amazement, although we are all part of the AFL–CIO, and have all signed the no-raiding pact, our people are being accepted as members.

I am a member of Local No. 1, Mail Handlers, New York City. Using my own local as an illustration, I wish to bring to your attention that over 1,000 members of our local dropped their membership to join said organizations. Again at the risk of repeating myself, for the hospital plan, in every city in this great country, our locals' officers write in asking, Why are these national organizations allowed to raid our membership and what can we do to stop said raiding? The only answer to this question is for you Mr. Chairman and members of this committee to give favorable and speedy consideration of the bills before you. I ask this in the name of equity and fairplay.

If you will take time to check the testimony presented to the committee by the labor union leaders, when public hearings were opened, July, August 1959, you will find that we presented our testimony jointly with the letter carriers, clerks organization, et cetera. This came about through the Government Employee's Council. We all agreed, in the best interest of all Federal employees, plus faced with a time element, that we present a joint statement. Little did I realize that in a few years we would lose membership through the enactment of this legislation into law.

I would also like to point out that we do not carry retired mail handlers as members in our national organization. It is my opinion that it was not the intention of Congress to destroy a national labor organization that has been in existence for 50 years when they passed this worthy piece of legislation.

The Civil Service Commission points out that they prefer to see the employee's money plus the Government's money used for health benefits, that the bills before you for consideration would increase administrative costs with no real benefit to our people. This thinking is hard to believe when you consider that over 32,000 mail handlers are involved. I am a firm believer in charity should start at home when you pick up the evening papers and read about the billions of dollars being appropriated for this and that, and now, if I am right, that a small cost, if any, is more important, than the welfare of 32,000 people who at the present time have no hospital plan of their own.

In conclusion, Mr. Chairman, I would like to say I am indeed grateful to you, Congressman James C. Davis, Congressman Glenn Cunningham, and Congressman Walter H. Moeller for introducing the

bills and to add I deeply appreciate the chance of appearing before you and the committee to express the thinking of our national organization.

Mr. DAVIS. Thank you for your statement, Mr. McAvoy. Would you be able to give the subcommittee information as to the probable additional cost which might be involved if this legislation were to be enacted?

Mr. MCAVOY. Pertaining to the Commission?

Mr. DAVIS. Yes. You said in your statement that the Civil Service Commission has expressed some objection to it because of the additional administrative costs involved. Can you give us information regarding that?

Mr. MCAVOY. The reason I brought that out, Mr. Chairman, is that I talked to the Commission officials about this prior to coming before you and the committee. It was brought out one or two additional staff members would have to be added, and they preferred throwing it into the health-benefit plan where additional benefits would be gotten by the employees involved in the plan. I thought it didn't amount to too much.

Mr. DAVIS. You did discuss that feature with the Civil Service Commission?

Mr. MCAVOY. That is right.

Mr. DAVIS. And the information you obtained was it might require the employment of one or two additional staff members?

Mr. MCAVOY. That is right; at least that is what I came away with. The cost amounted to nothing compared to the 32,000 mail handlers involved. This reasoning just doesn't make sense.

Mr. DAVIS. Prior to the time that a changeover was made under this Federal Employees Health Benefits Act of 1959, your organization had not installed any health benefit plan?

Mr. MCAVOY. We had no plan at the time.

Mr. DAVIS. You do not now have any?

Mr. MCAVOY. That is right. That is what we are asking for.

Mr. DAVIS. Have you taken any steps looking toward the establishment of such a plan?

Mr. MCAVOY. I would like to say we talked to the three largest carriers in the country and they are more than willing to come in with a hospital plan, if the bills before your committee are enacted into law.

Mr. DAVIS. What have your members been doing about health benefits and health insurance prior to the time that they began to join these other organizations?

Mr. MCAVOY. Our people have no place to go, and when the clerk organization and letter carriers started raiding, they offered their hospitalization plans, fully realizing we had no hospital plan. Our people joined them. It is the responsibility of our married members, et cetera, to their families and children. We can easily understand this, but they had to join said groups as members. The Commission doesn't point this out.

Mr. DAVIS. What health benefits and insurance benefits are available to your membership now?

Mr. MCAVOY. Motor vehicle has a plan, Government standards. Mr. Gibson, who represents them, has agreed to take in our people——

Mr. DAVIS. As the law now stands, what can your members do about obtaining health insurance and health benefits?

Mr. MCAVOY. If you open this up we can submit a plan and come under the Hospitalization Act. The Commission says the only way we can protect our people is through legislation. These three bills would open the register and we will then be able to submit our plan which will allow our organization to meet such hospital plans on an even basis.

Mr. DAVIS. Is it impossible for one of your members now, as Federal employees, to obtain any kind of health benefits or insurance benefits without joining some other organization?

Mr. MCAVOY. They all insist upon membership. That is what we call the raiding part of it.

Mr. DAVIS. Take your case as an individual. Do you have any health benefits or health insurance?

Mr. MCAVOY. None whatsoever.

Mr. DAVIS. You have a leave of absence so there can be no deduction from your pay?

Mr. MCAVOY. That is right.

Mr. DAVIS. What about the workingman?

Mr. MCAVOY. He can go to Blue Cross, and so forth, or he can continue the plan he had before the law was enacted in 1959. There are other hospitalization plans available.

Mr. DAVIS. I am a Federal employee and prior to the enactment of this law we are referring to, I had individual Blue Cross—medical and hospital insurance.

Now I come under this law and I have taken a plan which reimburses me. I believe the Hartford Insurance Co. reimburses me for my health and medical expenses within the terms of the contract. Do your people get that kind of insurance now without enactment of any legislation?

Mr. MCAVOY. The plans of the Letter Carriers, the National Postal Union, and the Federation of Postal Clerks go a little beyond what the Blue Cross people are offering. In other words, where $20 or $25 is what Blue Cross will pay for some part of its plan, said plans will pay $30.

Mr. DAVIS. I want to find out just what your membership may do now, what they could do if this legislation were enacted.

Mr. MCAVOY. I see.

Mr. DAVIS. I want to get in the record exactly what that status is with reference to existing laws, what they can do now, and what they could do if this legislation is enacted. Tell us what is available to them now.

Mr. MCAVOY. Being a post office man and thinking of the post office employees, the only plan that would be available would be what Blue Cross, etc., offers under the act of 1959.

Mr. DAVIS. They could get that without belonging to any organization. They could come under the Federal health and benefits plan without joining any other organization?

Mr. MCAVOY. That is right.

Mr. DAVIS. Do I understand you to say these other organizations, the Postal Clerks, Letter Carriers, and other organizations, offer a little more in the way of benefits than they would get under the group plan in general?

Mr. McAvoy. That is right.

Mr. Davis. That is what induces them to leave your organization and join these others?

Mr. McAvoy. This is quite true, and is the only reason our people are joining those organizations.

Mr. Davis. Is there anything else you want to add?

Mr. McAvoy. That is about all, Mr. Chairman, except that I talked to the three largest carriers in the country and they are more than willing to present our organization with a plan that will match, at least, the hospital plans of these other organizations. Every day we are losing mail handler members from the national organization and the reason for this is we have no plan to match these other plans.

Mr. Davis. They will not stay in the mail handlers organization if they join one of these others?

Mr. McAvoy. They cannot pay the two monthly dues and keep going. We are only in pay level 3 and it is pretty hard to keep up membership in two organizations.

Mr. Davis. How much are are monthly dues?

Mr. McAvoy. Ninety cents a month.

Mr. Davis. How much are they in the clerks and carriers organization?

Mr. McAvoy. $1.25 and up.

Mr. Davis. Have you been losing many of your members for this reason?

Mr. McAvoy. Yes, throughout the entire country. We have lost at least 1,000 members in my own local which is in New York City and the reason was no hospital plan.

Mr. Davis. Have you lost them in other sections of the country?

Mr. McAvoy. All over the country.

Mr. Gross. You think this pending legislation will cure this situation?

Mr. McAvoy. I believe that it will, Congressman Gross, because it will put us on an even competitive basis. There is no reason, in my opinion, for our people to leave our organization except to join these groups for their hospitalization plan. We will be in a position to match them point for point with our own given plan and this would eliminate the raiding that is now going on. They are really doing a job. I just couldn't believe it when I found we had lost 1,000 members. We have only 32,000 mail handlers throughout the country.

Mr. Johansen. I am sorry that I arrived late, but to get the picture, you would be able to do the equivalent, you would be able to offer the equivalent in terms of benefits, that the other employee organizations offer if this were enacted, and you are not able to do it without this enactment?

Mr. McAvoy. That is quite true.

Mr. Davis. Anything further?

Mr. McAvoy. No.

Mr. Gross. To the best of your knowledge this would entail only a small amount of expense from the administrative standpoint?

Mr. McAvoy. Hardly any expense. I believe several additional clerks would be added.

I stated that there are 32,000 people involved. I do not think one or two clerks, or five clerks, should be the difference between carrying us within a plan or not. It is hard for me to understand.

Mr. DAVIS. What was the date your organization was first established?

Mr. MCAVOY. We will be 50 years old this August. Our organization was established in 1912.

Mr. DAVIS. Did your organization grow and did the membership increase up until this time?

Mr. MCAVOY. We were doing wonderful. We were even in a position come July 1, 1962, to double our per capita tax in the labor movement AFL–CIO. I am sorry to say we will have to cancel that due to the loss of membership.

Mr. DAVIS. The membership had increased through the years until this health benefits legislation was enacted?

Mr. MCAVOY. That is right.

Mr. DAVIS. Since that time it has decreased?

Mr. MCAVOY. That is right. Our people are very apologetic about leaving our national organization but they say, "Mac, I have three kids at home and a wife. I have to have coverage." They are offering good coverage. There is little I can say.

Thank you, gentlemen.

Mr. DAVIS. Mr. Cunningham has arrived and we will hear from him at this time.

STATEMENT OF HON. GLENN CUNNINGHAM, OF NEBRASKA

Mr. CUNNINGHAM. Mr. Chairman, as a sponsor of one of the bills before the subcommittee, H.R. 11467, I am naturally in favor of favorable subcommittee consideration of this legislation. I believe it is meritorious and desirable legislation and that it will benefit Government employees who are entitled to benefits under the Health Benefits Act of 1959.

I am pleased to endorse the testimony you have received from Mr. Harold McAvoy, president of the Post Office Mail Handlers, Watchmen, Messengers, & Group Leaders. I shall not repeat the information he presented to the members of the subcommittee. He has presented the issue. I believe, of course, that there is merit on his side and would appreciate every possible consideration by the subcommittee.

I believe the basic issue is whether we want to make this change in the law so as to allow certain employees the benefits which we have by law provided many other employees, namely, the right to participate in the health insurance program through their own organization.

I think this is a desirable change and I urge the members of the subcommittee to approve the legislation before them.

Thank you for this opportunity to present my views.

Mr. DAVIS. Thank you, Mr. Cunningham.

The next witness will be Mr. H. M. Riley, representing the Southeastern Peanut Association, to testify on H.R. 3258, H.R. 42, H.R. 1058, and H.R. 2794.

I believe you are accompanied by some of your colleagues?

Mr. RILEY. Mr. Curry.

STATEMENT OF H. M. RILEY, SOUTHEASTERN PEANUT ASSOCIATION; ACCOMPANIED BY JOHN A. CURRY

Mr. RILEY. I am an employee of the U.S. Department of Agriculture, Agricultural Marketing Service, Fruit and Vegetable Division. I am the supervisor of the inspection of fruits, vegetables, peanuts, and pecans in the States of Florida and Georgia.

I am appearing as an individual and not as a representative of the Department.

I wish to testify as to work performed by me and others who work with me as a shipping point inspector, licensed by the Secretary of Agriculture under the supervision and direction of the U.S. Department of Agriculture.

I started this work in May of 1927 and worked as a Federal-State inspector and supervisor until my Federal appointment was made July 1, 1959. The chief change was that then I started getting my direction from Washington instead of the Washington representative, whom I replaced. The other change was that my checks came from the U.S. Department of Agriculture instead of from the cooperative Federal-State inspection fund in the State in which I worked.

While working as a licensed inspector I was under full control and supervision of the Department representatives who hired, trained, issued me my license signed by the Secretary of Agriculture, set all of the policies we followed, and arranged all phases of the service.

The agricultural appropriations act carried money for inspection of fresh fruits and vegetables but not enough to pay for the costs; therefore the States were requested to enter into an agreement with the U.S. Department of Agriculture to collect the money and disburse it for inspectors' salaries and other necessary costs.

This method gave service which the U.S. Department of Agriculture was authorized to carry out without the money entering the Treasury. We who performed the work did not get credit as Federal employees.

I believe since we were federally controlled and financed in part by various agricultural appropriation acts, we who entered the Federal service and have made it our career have a full right to credit toward retirement. We performed and are still performing a great service to the growers and packers of produce in the name of the Federal Government and under its acts.

The fact that due to expediency the Department decided to shift the physical operations in part to the States should not knock us out of these retirement rights.

I have done the same type of work for 35 years and have only 23 years of Federal credit for retirement.

Mr. Chairman, we think this will affect between about 150 and 200 people who worked as licensees and have since been employed by the Federal Department under straight civil service.

Mr. DAVIS. Where are you now located, Mr. Riley?

Mr. RILEY. Macon, Ga., and Winterhaven, Fla. I spend 7 months in Florida and 5 months in Georgia.

Mr. DAVIS. Where were you located before this period when you went under Federal employment?

Mr. RILEY. I was working in the States of Florida, Georgia, New York State, and I believe the other State was South Carolina.

Mr. DAVIS. You were not serving in all of those States at the same time?

Mr. RILEY. No, at different times. I was transferred by the Federal representative in Washington to the various States as inspectors were needed for inspection of fresh fruits and vegetables.

Mr. DAVIS. Did you receive instructions and operational direction from the Federal Government at that time?

Mr. RILEY. I did.

Mr. DAVIS. To what extent was your work directed by the State agencies?

Mr. RILEY. The only part the State played in the putting on of the Federal-State inspection service was that due to the appropriations act passed by Congress; they did not grant sufficient funds to carry this out, so the States were authorized to enter into these cooperative agreements whereby we could charge to the people we served a fee for our service.

This fee was put in a Federal-State cooperative inspection fund handled by the State, and our checks came from the State out of this fund. That is the only way the State participated in the service.

Mr. GROSS. One State or all States?

Mr. RILEY. All States.

Mr. DAVIS. All these States that you worked in participated in the program in that manner?

Mr. RILEY. That is correct.

Mr. DAVIS. Are there any questions, gentlemen?

Mr. GROSS. I have no questions.

Mr. JOHANSEN. I have no questions.

Mr. OLSEN. I have no questions.

Mr. DAVIS. Anything further, Mr. Riley?

Mr. RILEY. I believe that covers it, Mr. Chairman. Thank you very much.

Mr. DAVIS. Mr. Curry, do you have a statement?

Mr. CURRY. I would like to make a statement. My name is John A. Curry from Montgomery, Ala. I have been an employee paid by the U.S. Department of Agriculture for the past 20 years. In August of this year I will have had 20 years' service. I started in this work as a Federal-State employee in May 1934, in South Carolina, my original home.

The type of work we were doing at the State level, and which I am doing at the present time, was primarily the same except, as Mr. Riley explained, we were paid by the State instead of the Federal Government.

I have been Federal supervisor in Alabama since 1945 and worked supervising the peanut deal in Texas, Oklahoma, and those States before that time.

Since being employed strictly by the U.S. Department of Agriculture I want to show the relation specifically between the State and Federal Government.

I was a straight Federal employee while employed in the State of Texas on the peanut deal.

When I came back to Alabama in 1945 I was an agent. I was paid cooperatively by the Federal Government and by the State. In other words, at that time the State paid me $3,000 and the Federal Government paid me $3,000.

I had civil service retirement rights under that program, and on April 1, 1946, I went straight Federal. All the salaries and expenses came from the Federal Government.

I would like to explain how closely this related to this, also—all the money for the salaries and overhead are paid back to the Federal Government from the States. They are reimbursed out of this cooperative fund.

In most States and in Alabama, which I can speak for, there are no appropriated funds by the State or Federal Government to carry on this work. It is by fees set which are approved by Washington, by the Federal Department, charged for the service rendered.

Mr. DAVIS. I understand from statements you just made that these fees cover the States' part of the cooperative salary which you received and the expense of administering the program, and also reimburse the Federal Government for that portion of your salary which the Federal Government pays. Is that correct?

Mr. CURRY. That is right; the Federal Government pays me all the salary and they are reimbursed out of the cooperative fund.

Mr. DAVIS. That is the situation now?

Mr. CURRY. Yes, sir.

Mr. DAVIS. Was it the situation before you went under the Federal Government employment?

Mr. CURRY. At that time it came from the same fund and they paid me straight.

Mr. DAVIS. Did the Federal Government participate in your salary prior to the time that you became a Federal employee when you were in the dual capacity?

Mr. CURRY. When I was an agent, the Federal Government paid half the salary and the State paid half, but the State in turn reimbursed the Federal Government for the half they were paying.

Mr. DAVIS. The Federal Government was reimbursed for that portion of your salary which they paid at the time you were the agent?

Mr. CURRY. Yes, sir.

Mr. DAVIS. Does that apply to your situation, too, Mr. Riley?

Mr. RILEY. Yes, sir.

Mr. CURRY. When I was a Federal-State employee licensed only by the Federal Government, I was paid directly by the State.

Mr. DAVIS. Were you paid out of those fees, then?

Mr. CURRY. Yes, sir; out of the cooperative fee. That is paid by the growers, shippers, and so on.

Mr. DAVIS. At that time the Federal Government did not participate in your salary?

Mr. CURRY. That is right, but the Federal Government directed me. We were licensed by the Federal Government. That is the way the Department controls the work.

Mr. DAVIS. What kind of license was issued by the Secretary?

Mr. CURRY. It gives you the authority from the Secretary to inspect fruits and vegetables, pecans, peanuts, whatever you might be inspecting. Usually you had a Federal-State certificate. In each

State it specifies the U.S. Department of Agriculture and the State department of agriculture cooperating with it. That is prime facie evidence in any court in the United States.

Mr. DAVIS. How often was that license issued or renewed?

Mr. CURRY. Every year, July 1.

Mr. DAVIS. What services did you perform under that license?

Mr. CURRY. We certified as to grade, such as you would in cotton, or anything else.

Mr. DAVIS. What did you inspect?

Mr. CURRY. Potatoes, peaches, corn, all fruits and vegetables, all under U.S. standards. We have no State standards but follow Federal standards.

Mr. DAVIS. Anything else?

Mr. CURRY. I am not appearing as an employee but as an individual. We are paying our own expenses for this appearance. It is a pleasure to testify.

Mr. JOHANSEN. Did you, as part of this inspection process, file reports with the Federal Government?

Mr. CURRY. Yes, sir; we file them to the Federal supervisor.

Mr. JOHANSEN. Did you file them also with any State agency?

Mr. CURRY. That is right, a copy of each inspection you make, one goes to Washington and one to the State. As that lot of produce goes across the State line, it can be reinspected and relooked at.

We sent reports to the Federal Government and the State. You know how fast you move. By the time the mail got to Washington, we kept a copy in the State so we could report immediately on it.

Mr. JOHANSEN. Could there be a situation in which there might be Federal action against a producer, or a distributor, as a result of your inspections?

Mr. CURRY. Yes, sir. We have the Perishable Agricultural Commodities Act. Our inspection is prima facie evidence in any court in the country until it is disapproved. That is the reason for the cooperative agreement. When it passes the State line, a State inspection would not be any good.

Mr. JOHANSEN. Regardless of whether the State reimbursed the Federal Government, you were performing a Federal function?

Mr. CURRY. That is exactly it.

Mr. DAVIS. You are referring now to the services performed before you became a Federal employee?

Mr. CURRY. That is right, before I became a straight Federal employee.

Mr. GROSS. Off the record.

(Discussion held off the record.)

Mr. DAVIS. Are there any further questions?

(No response.)

Mr. DAVIS. Thank you very much, Mr. Curry.

The next witness is Mr. Les Dorson, president, Retirement Federation of Civil Service Employees.

STATEMENT OF LES DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES

Mr. DORSON. Mr. Chairman and members of the subcommittee, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees, with offices at 900 F Street NW., in this city.

Our organization, numbering about 93,000 members, opposes the enactment of the bills under consideration for several reasons. First among these is that the civil service retirement system is primarily a staff retirement system for Federal employees and we think it should continue as such. To include as creditable service other types of employment, simply because Federal funds were used in whole or part to finance the employment, goes far afield.

These bills propose the allowance of credit for certain categories of service administered by the various States and their instrumentalities. Such service is, in our opinion, primarily service for a State and not service for the United States. The responsibility for providing retirement benefits for the service should, we think, rest with the States as the employers. To provide credit under the Civil Service Retirement Act would impose an additional financial burden on a system, already inadequately financed, where it does not belong.

We can find little difference between the employment in question and many other types financed in the same or similar manner. Since a distinguishing line must be drawn somewhere, between Federal and other service, for purposes of the Civil Service Retirement Act, would it not be better to leave the line where it is now? We believe it would.

Mr. Chairman, we thank the committee for the opportunity to present our views.

Mr. DAVIS. Where is the line left now? Is it your contention that no former State employees or joint employees have been permitted to receive credit for that service under the Federal retirement system?

Mr. DORSON. Some have up to this point, and I acknowledge that it is very difficult to draw a line. However, there must be one now or we would not now be seeking the admission or the creditability of other types of similar service.

Mr. DAVIS. You know that some of these ASC employees, for instance, county agents, have been permitted to have credit for their service?

Mr. DORSON. That is right.

Mr. DAVIS. Why do you think they should be in any preferred position as opposed to other small groups who would be brought in under this legislation?

Mr. DORSON. We oppose the creditability of that service, too. It is not a matter of our believing that one should and the other should not. It is difficult to take away something which has been given, and what we contend is that the thing should not be broadened any further in that respect.

The point that I attempt to make here, Mr. Chairman, is that where do you draw a line if you do not draw it somewhere? It seems to us there is very little difference between these employees and the employees, for instance, of Newport News Shipbuilding & Drydock Co., all of whose salary might be paid by the Federal Government, or an

employee at Lockheed under similar circumstances working on defense contracts.

Testimony indicates that as little as one-third of the salaries——

Mr. DAVIS. Those two classes of employees are not now under the Federal retirement system. People involved in this legislation are only those now under the Federal retirement system.

Mr. DORSON. But the point is, Mr. Chairman, when these people do come under the civil service retirement system, and many do, there is a movement back and forth, particularly in the shipyards, and as between Lockheed, for instance, and the Alameda Naval Air Station, and similar Federal establishments, then it seems to us that if these people are entitled, the agricultural employees, and the line is not drawn somewhere, how do you reasonably say that these employees of Lockheed and Newport News Shipbuilding Co. are not also entitled to similar credit?

Mr. DAVIS. I see a great difference there. All of these people you mentioned have their own retirement systems. They are under social security. I would say practically 100 percent of these people had no type of retirement provisions, annuities, or pensions available to them.

Mr. DORSON. Is this not at least partly the responsibility of the State, Mr. Chairman?

Mr. DAVIS. I don't think it is worthwhile to go into that. It is partly the responsibility of the State, but the fact remains there were no retirement provisions or annuity benefits or anything of that kind available to them. If they do not get this credit now they will never get credit of any kind.

Mr. DORSON. I have a further statement which I should like to make with regard to H.R. 1927.

Mr. DAVIS. Very well.

Mr. DORSON. H.R. 1927 has a purpose with which we are in accord. It proposes to grant certain former employees, who are receiving or entitled to receive a deferred annuity, the right to elect a survivor's annuity for their wives or husbands. However, its application would be limited to former employees who were separated between June 30, 1953, and October 1, 1956.

Our organization supports the principle that former employees, entitled to deferred annuity benefits, should have the same right of survivor protection as those who receive annuities immediately upon separation. H.R. 1927 would provide this right for only a few.

Therefore, we respectfully suggest that H.R. 1927 be amended by striking out the words "on or after June 30, 1953", in lines 3 and 4, and by adding the words "or member" after the word "employee", in line 3, all on page 1. This would provide the benefit here proposed, on the same basis for all deferred annuitants.

There is another matter, intimately concerned, but with which H.R. 1927 does not attempt to deal, which we respectfully call to your attention. This is the lack of protection now afforded the survivors of employees entitled to deferred annuities who die before the effective date of the annuity. It will still be the case for those covered by H.R. 1927, as we understand the provisions, even after its enactment.

We hope the committee will want to deal with the entire problem at this time. Therefore, we suggest the addition of a section to H.R. 1927 which would amend section 10(e) of the Civil Service Retire-

ment Act, as amended, by inserting, after the word "member", the words "or employee"; and by inserting, after the word "member's" wherever it appears, the words "or employee's".

Mr. Chairman, we are grateful for the opportunity afforded us to express our views. With the amendments herein suggested, we urge that H.R. 1927 be favorably reported and enacted.

Mr. DAVIS. What would the amendment, or the amendments, which you propose, cost?

Mr. DORSON. I have no idea, Mr. Chairman, to be perfectly honest. I have no basis for estimating the cost.

Mr. DAVIS. What period of time would be covered by the amendments you propose here?

Mr. DORSON. There are two amendments proposed. One would eliminate all——

Mr. DAVIS. What period of time now is not included in the existing law?

Mr. DORSON. All periods now are not included in existing law.

Mr. DAVIS. The working Federal employee now can elect a survivor annuitant.

Mr. DORSON. The working Federal employee but not the deferred annuitant with which H.R. 1927 deals. Employees now in the same category who were separated before 1956——

Mr. DAVIS. What period is covered before the cutoff date?

Mr. DORSON. What I am attempting to say, Mr. Chairman, is this: Deferred annuitants, separated after 1956, have the right to elect a survivor annuitant.

If a person's title to annuity is deferred as much as 30 days after separation he loses any right to name a survivor annuitant.

The survivor of a member can elect that right for herself, but the member does not have the right to name the survivor annuitant as of now on a deferred annuity basis.

Mr. DAVIS. Do you know how many people would be affected by your amendment?

Mr. DORSON. No, sir; I do not.

Mr. DAVIS. Questions?

Mr. GROSS. I would like to go back to this first statement of yours wherein you say, "To provide credit would impose an additional financial burden on a system already inadequately financed."

"Already inadequately financed"—is that because of the failure of Congress to appropriate the funds?

Mr. DORSON. Yes, sir.

Mr. GROSS. Or is it for some other reason?

Mr. DORSON. To the best of my knowledge this is the only reason, Mr. Gross. It is because of failure of Congress to appropriate money.

It is also fair to say that neither this administration nor its predecessor requested appropriations.

Mr. GROSS. I understand that, but payments are being met to annuitants, are they not?

Mr. DORSON. Yes, sir.

Mr. GROSS. So if there is any inadequacy, if there is inadequacy projected into the future, it is because the Federal Government has refused to pay in its share. Is that what you are saying?

Mr. DORSON. Yes, sir.

Mr. GROSS. In 1960 Congress gave ASC employees, among those being dealt with here, all the fringe benefits of Federal employees. Did you at that time testify against that bill?

Mr. DORSON. Yes, sir.

Mr. GROSS. You were opposed to that bill as well?

Mr. DORSON. We have opposed the creditability of this type service at every opportunity, Mr. Gross.

We did not, however, oppose last year the amendments which would give these people credit on the optional deposit basis because we felt then, and still feel, and have for a long time, that if a person is entitled to benefits under the Civil Service Retirement Act that his benefits should be on the same basis, so that if other employees had the right to optional deposit, then ASC and similar employees already entitled to credit under the act should have also the right to optional deposit.

The law which admitted them required deposit, as does H.R. 3258, H.R. 42, and the others. We think this will be waived in the future as in the past.

The amount of these deposits for a long period of service becomes almost impossible for the employee to make, sizable sums which he cannot scratch up in a short period of time.

Mr. DAVIS. Are there any further questions?

(No response.)

Mr. DAVIS. Thank you for your statement.

Mr. DORSON. Thank you, sir.

Mr. DAVIS. I believe Mr. George D. Riley has come in. Mr. McAvoy announced that Mr. Riley wished to be heard or to file a statement in connection with bills H.R. 10539, H.R. 11202, and H.R. 11467.

STATEMENT OF GEORGE D. RILEY, LEGISLATIVE REPRESENTATIVE, AFL-CIO

Mr. RILEY. Mr. Chairman, I believe just a few words at this point, rather than filing the statement, would have more value.

The bill you first called for hearing relates to reopening of the Federal employees' health program of 1959. I testified before this committee on this very subject, as well as on the other side, where the legislation first had its inception.

The spirit and, I believe, the letter of the statement I made at that time was that I hoped that the bill would be inclusive rather than exclusive, and that as many as could be accommodated under this new umbrella of protection would be brought in at the earliest possible time.

I have not checked the act to the extent of knowing whether these 2-year intervals for reopening are a matter of grace by administrative action or whether that provision is in the law, but in any event I do know that we, among others, are attempting to get an overall national health program established under social security for as many as possible, and that means some 17 million, shall we say. I know of no exclusions under that provision. Therefore, it would seem to be consonant with the general, overall aspirations of many of our citizens to be under a comprehensive health program, wherever to be found, whether it be in the Federal service or whether it be outside the Federal service.

To wait until the Commission in its good time gets around to reopening this system for the inclusion of these who are yet not included seems to me to be more at the convenience of the Commission than of the employee who, I am convinced, the Congress meant to include at the earliest possible time.

I believe the Commission takes the general viewpoint that it is not convenient to do this thing until it deems it to be so.

Mr. DAVIS. We have not heard from the Civil Service Commission yet. We are planning to hear the Commissioners next Wednesday.

Mr. RILEY. Maybe I am preempting, and maybe I am not, some of the things they are to say. I do not know what they are going to say.

If they do not have enough personnel, let me point to the fact that their own figures for the periodic reports on personnel, as well as the Byrd committee, show that in January 1961 they had 3,614 employees, and as of April of this year, 3,935, or, in round figures, 4,000.

The humane thing to do under the health program seems to me not to be an onerous sort of job, particularly when the Commission is getting more hands aboard. Where they are putting them, I suppose, is in their discretion. If this is an onerous sort of thing to do, it seems to me with these new employees they must find among those persons a sufficient number of qualified people who can take on the reopening at more than 2-year intervals and to accommodate those who otherwise might be subject to catastrophic illness or even worse, and whose lives might easily be saved if they were under a program such as this, which I am sure is a sound and a good program.

I recall that Senator Neuberger, who did a great deal of the spadework on this in 1959, had his difficulties in getting this program underway and getting complete attention to the point that it finally got over to your side, and you gave reciprocal attention to it as well. At a meeting at which some 18 or 20 representatives were present in his office at one time, I recall that he was telling of the difficulties he had to get this thing done. Senator Neuberger might even have been among us today had he not put his full energies into this thing. I shall not say he is a casualty in the good cause of human endeavor, but he could have been a lot more lenient on himself in the tax that he put on his energies and his failing health.

I would say this bill is meritorious, and we might even say within the next year or so there might be persons who would get the benefits of this reopening, at the convenience of the employee, let us say, for a change, and who might be among us for quite some time to come, who might not otherwise be.

For that reason, I am very happy to offer my thoughts on the subject and hope that they can be considered as you go along with this legislation.

Mr. DAVIS. We are glad to have your views in this regard, Mr. Riley. Thank you very much.

I believe Mrs. Vincent T. Manas wishes to testify on H.R. 1927.

STATEMENT OF MRS. VINCENT T. MANAS, WASHINGTON, D.C.

Mrs. MANAS. I am speaking for my husband, who was unable to come here today. I would like to read the statement he gave me to read.

Mr. DAVIS. Very well.

Mrs. MANAS (reading). I was very pleased to learn that a subcommittee has been named to hold hearings on a bill to permit Federal employees who left the Government between June 30, 1953, and October 1, 1956, to designate their spouses for survivorship annuities.

I am one of those who was involuntarily separated as of July 1953. I had served over 20 years but was 57 years old at the time of separation, therefore too young for an immediate annuity. When I reached age 62, I filed for a retirement annuity with survivorship rights for my wife, only to be told that my wife had no survivorship rights as I had forfeited them due to leaving the Government prematurely.

The news was a blow to us, like finding that gilt-edged securities had become worthless. It was not my fault that my position terminated when it did, and no one in personnel or civil service had told me that for me the termination date, June 30, 1953, carried with it the further loss of my wife's survivorship rights. Others who were terminated at the same time but happened to have already reached age 62, not only collected immediate annuities but were permitted to arrange for survivorship rights for their spouses. I had no idea that my wife would not eventually receive the same rights, but when I tried to arrange for them they were denied.

We have been hoping for years that this inequity would be corrected and are very happy that a big step forward has been taken. Thank you very much for your consideration and interest.

Mr. DAVIS. Thank you for your statement, Mrs. Manas.

The subcommittee will adjourn until 10 o'clock next Wednesday, at which time we will have representatives of the Civil Service Commission.

(Whereupon the subcommittee adjourned at 11:15 a.m. Wednesday, June 13, 1962, to reconvene Wednesday, June 20, 1962.)

RETIREMENT CREDIT FOR FEDERAL-STATE SERVICE; EMPLOYEE ORGANIZATION HEALTH PLANS; SURVIVORS' ANNUITIES

WEDNESDAY, JUNE 20, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 215, House Office Building, Hon. David N. Henderson, (acting chairman) presiding.

Mr. HENDERSON. The subcommittee will come to order.

Our hearing this morning will continue on H.R. 10539, and related bills, to provide additional choice of health benefit plans to Federal employees; H.R. 3258, and related bills, to allow credit under the Civil Service Retirement Act to certain Federal employees for service in Federal-State cooperative programs in a State; and H.R. 1927, to provide for certain survivors' annuities in additional cases under the Civil Service Retirement Act of May 29, 1930.

I would like to have placed in the record a letter dated June 14, 1962, from Tommy Martin, president, National Rural Letter Carriers' Association, in support of H.R. 1927.

Also a letter dated June 12, 1962, from Reuben L. Johnson, associate director of the National Farmers Union.

(The letters follow:)

JUNE 14, 1962.

HON. JAMES C. DAVIS,
Chairman, Subcommittee of the House Post Office and Civil Service Committee, Washington, D.C.

DEAR MR. DAVIS: Mr. Chairman, my name is Tommy M. Martin. I am president of the National Rural Letter Carriers' Association, an organization representing the regular, retired, and substitute rural letter carriers of the Nation.

We appreciate the opportunity of submitting this statement in support of H.R. 1927, a bill to provide for certain survivor annuities in additional cases under the Civil Service Retirement Act of May 20, 1930.

H.R. 1927 would permit an employee separated from the service on or after June 30, 1953, with entitlement to deferred annuity under the Civil Service Retirement Act to elect a reduced annuity in order to provide a survivorship annuity for his spouse. The privilege would be made retroactive for such persons upon application to the Civil Service Commission within 6 months after such date of enactment, and upon payment in the civil service retirement fund of an amount equal to the amount of the reduction which would have been made in his regular annuity.

Enactment of this legislation would extend identical survivorship annuity privileges to those entitled to deferred annuities just as for those who are separated on immediate annuities under the Civil Service Retirement Act. We believe this is an equitable and fair proposal and I am pleased to endorse this legislation on behalf of the National Rural Letter Carriers' Association.

Sincerely yours,

TOMMY M. MARTIN, *President.*

NATIONAL FARMERS UNION,
Washington, D.C., June 12, 1962.

Hon. JAMES C. DAVIS,
House Office Building,
Washington, D.C.

DEAR JUDGE DAVIS: Farmers Union endorses your bill, H.R. 3258, to remove the present inequity that exists for many persons who have employment history with cooperative Federal-State programs but who are not given retirement credit for such service.

For example, teachers of vocational agriculture are not eligible for retirement credit for services under the Federal-State cooperative programs of vocational education. However, such credit is permitted to persons employed as State and county extension workers. In each case the Federal Government contributes to salaries and there are Federal standards for work performed.

We appreciate your interest in correcting this inequity and respectfully request that this letter be made a part of the record of the hearings on this legislation.

Sincerely,

REUBEN L. JOHNSON,
Associate Director.

Mr. HENDERSON. We have with us this morning Chairman John W. Macy of the Civil Service Commission accompanied by Mr. Frederick J. Lawton, Commissioner, and Mr. Andrew E. Ruddock, Director, Bureau of Retirement and Insurance.

I suggest that we take one bill at a time, permitting Mr. Macy to present his brief statement on it and then let us question him on the statement and then proceed to the next bill. We will also insert the Civil Service Commission's reports on the bills.

Mr. Macy, we are glad to have you with us.

Judge Davis is sorry he cannot get back in the city this morning and chair the subcommittee.

(The Civil Service Commission report on H.R. 10539 follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D. C., April 11, 1962.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of March 7, 1962, requesting a report on H.R. 10539, a bill to amend the Federal Employees Health Benefits Act of 1959 to provide additional choice of health benefits plans, and for other purposes.

The bill would amend the act to eliminate the requirement that employee organization plans have been in operation on July 1, 1959, and would permit employee organizations to apply for approval as carriers during 1962.

The apparent purposes of the provisions proposed to be amended were three:

(1) To recognize the real contribution made by employee organizations in arranging group health insurance for their members in the absence of a Federal program, and to prevent the hardship to the organizations and their members, particularly insured former Federal employees and retired employees which would result if the greater part of the membership were drained off into a separate Federal program.

(2) To require at least a minimum of 1 year's experience in operating a health benefits plan.

(3) To restrict the number of employee organization plans to a number which would not unreasonably complicate administration of the program.

The proposed amendment would not advance the first item mentioned above and would defeat the other two.

The Commission has not observed any need for additional employee organization plans. At present each Federal employee is eligible to join at least four employee organizations having health benefits plans. When the service benefit plan, the indemnity benefit plan, and any comprehensive medical plan for which

the employee is eligible are added, the choice is presently bewildering. Additional choices only serve to confuse, especially since all existing employee organization plans are variations on the indemnity benefit theme. Terms and rates differ, but the indemnity principle is the same. We would expect new employee organization plans to be similar in nature. There appears no reason, now that the Federal program is well underway, why an employee organization should feel a need for a new program for its present members.

It is apparent from the legislative history that Congress contemplated an indemnity benefit plan, a service benefit plan, half a dozen employee organization plans, and a similar number of comprehensive plans, perhaps 15 in all. Under the original legislation we have approved more than twice that number, 14 of the existing 39 being employee organization plans. Under the proposed amendment any nationwide or agencywide employee organization could sponsor a health benefits plan if it applied by December 31, 1962, and could find an underwriter. In view of the successful operation of the Federal employees health benefits program since July 1, 1960, we would expect that underwriters can readily be found. Each carrier added to the group adds to the duties of the Commission, and of employing agencies, which also have functions under the program, inexorably followed by increases in staff and expense of administration generally. Since we do not have any information on the number of employee organizations which might qualify, we can only speculate as to the amount of the increase.

We could expect, too, that employee organizations offering plans for the first time would want an open season for their present and prospective members to join the plan. We do not presently know, in view of the period allowed for applications, whether this would be in 1962 or 1963. Conceivably it could be both. The problems as to when to have open seasons are quite complex; this additional complexity might very well act to defeat the best interests of employees. It would necessarily tend to increase the demand for annual open seasons, with resulting additional burdens on the Commission.

The costs of the Commission's administration of the Federal program go into the enrollment charge by virtue of the act's provision for accrual to reserves for administrative expenses of not more than 1 percent. Thus every additional administrative expense goes to raise the cost of administration for each employee as well as for the Government. The Commission prefers to see the Government's money and the employees' money used for health benefits, rather than for administration. Consequently we are compelled to object to a proposal which increases administrative costs with no real benefit to employees.

The elimination of the requirement of experience appears particularly undesirable. We have found that operation of any plan improves with experience. The first year of operation, particularly, is a learning process. Even if an experienced underwriter is selected, there are many problems which must necessarily be worked out during the first year of actual operation. This further complicates the operation of the Federal program, and if not successful, can result in employee dissatisfaction.

In addition, we may expect that any deadline set for application for approval will eliminate some existing or to-be-formed employee organization from consideration. We can logically expect, therefore, that if H.R. 10539 is enacted, there will later be requests for further extension of the time to apply, since the sponsorship of a health benefits plan seems to be a desirable adjunct to a membership drive.

For the reasons stated, the commission opposes the enactment of H.R. 10539.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the commission:

Sincerely yours,

F. J. LAWTON, *Acting Chairman.*

STATEMENT OF HON. JOHN W. MACY, CHAIRMAN, U.S. CIVIL SERVICE COMMISSION; ACCOMPANIED BY HON. FREDERICK J. LAWTON, COMMISSIONER; AND ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE

STATEMENT ON H.R. 10539 AND SIMILAR BILLS

Mr. MACY. Mr. Chairman, I want to express appreciation to you, to Mr. Gross, and to Mr. Davis for your willingness to arrange the schedule to accommodate my friends here on these bills. If you wish, Mr. Henderson, perhaps it would be well to start with H.R. 10539 and associated bills. What order would you like to proceed in?

Mr. HENDERSON. I do not know that I have any preference. You might start with that one if you like.

Mr. MACY. All right.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today to give Civil Service Commission views on a proposed amendment to the Federal Employees Health Benefits Act, a most important statute in Federal personnel management.

H.R. 10539, 11202, and 11467, all identical bills, would amend the health benefits law. In a report, dated April 11, 1962, the Civil Service Commission, at the request of the committee, submitted its views on H.R. 10539. To complete the record I suggest that this report be incorporated in the subcommittee's proceedings.

In considering these proposals I have found it helpful to review some background concerning the original legislation and its purpose. I hope that a review of this background will provide a basis for the Commission's position on the proposed amendment.

When the health benefits law was enacted in September 1959, to be effective July 1960, experienced people in the prepaid health benefit field were practically unanimous in expressing doubt at the ability of the Federal Government to launch such a complex program in so short a time.

Through hard work and through the cooperation of many people inside the Government and out, group health insurance for Federal employees is now a reality. In my judgment, this controversial and complex program is functioning smoothly and fulfilling purposes intended by Congress.

Some 2 million employees, plus 4 million family members, have voluntarily elected to come under the program and are finding that their health insurance plans are among the best in the country. Our program is a model for others and has already been copied almost in toto by at least two State governments. This committee, which held extensive hearings in 1959 and made extensive changes in the original proposal can take a large measure of credit for developing the law which is currently in effect and which is now reaching a desirable degree of stability following the initial installation period.

One of the main reasons why everyone who was looking over our shoulder in 1959 said it would be impossible to implement the law was that it permitted such a multiplicity of different plans and options from among which employees could choose. And these people had a pertinent point. Frankly, after 2 years of operation, many

employees are still confused by a bewildering array of 39 plans with 60 options. This is a far broader choice than is offered under any other program in this field of benefits.

Enactment of H.R. 10539 would permit the introduction of still more plans and options into the program. While the increased confusion among employees and the increased complexity and cost in administration would create serious problems, I would not consider them overriding if some constructive purpose would be served by the additional choices or if the interests of employees or the Government could be advanced by permitting such additional plans to enter the program. But this is not the case.

Employees already have a choice of every kind of health insurance plan. The benefits offered by existing plans are among the best, if not the best, available. There is a very fine Government-wide indemnity benefit plan with two options at very reasonable cost which every Federal employee may join. There is also an excellent Government-wide service benefit plan which is open to every employee. There are 23 comprehensive medical plans which operate in certain areas of the country. In addition, 14 employee organization plans with 27 options, all of the indemnity type, are already participating in the program. Membership in employee organizations sponsoring 4 of these 14 plans—and each of the 4 plans has 2 options—is open to all Federal employees. Together with the two Government-wide plans, each employee has a choice of at least 12 different options, among which he can most surely find one that best suits his personal needs and pocketbook. To add to these 12 options will not, in any way that I can see, promote the employees' or the Government's interest. On the contrary, it will further confuse employees and complicate administration, as well as make the program more costly to the Government.

Opinion sampling among Federal employees reveals that, by and large, employees are well satisfied with their choice of plans. In October 1961, we had "an open season" during which any employee was free to change plans. Ninety-five percent stayed with the plan they originally elected. The 5 percent who changed to a different plan are now presumably satisfied.

If we now permit new plans to enter the program, they would be expected to produce a very small enrollment, on the order of 1,000 to 5,000 employees or perhaps even less. In the insurance industry experience has demonstrated that the percentage of premium which must be used for administrative expenses is larger for a smaller group. Any new plan of the small size would entail a disproportionate amount of administrative expense, leaving less in premiums available for the payment of benefits and hence resulting in benefits which are not as good as those offered by competing plans.

In 1959, in redrafting the bill which became the health benefits law, this committee realized the wisdom of limiting the number of employee organization sponsored plans and, in fact, it very carefully did so.

At that time there were very valid reasons for permitting a small number of employee organization plans to participate in the Federal program. These plans had been in existence for a long time and had been filling a need for their Federal employee-members. Those em-

ployees who belonged to these organization plans were generally well satisfied with them, especially when they improved their benefits with the advent of the health benefits law. These existing plans had experience in operating a health insurance program and a nucleus of satisfied plan members they could rely on to continue in the plan after the Federal program went into effect. Any new plan would not have this advantage, nor could it justify its formation and participation in the Federal program on the basis of offering its members better benefits or lower cost than they can find in other available plans.

All things considered, I would say that a plan without experience in the Federal employees health benefits program would have to overcome the very strong competition of the existing plans and could attract only a very small enrollment. The combinations of small enrollment and high administrative expense could well result in quick failure unless the premiums were set so high as to make them prohibitive or at least not competitive with those of existing plans.

With the new health benefits program operating smoothly, through its multitudinous and diverse types of plans, health insurance needs of Federal employees are being met in fine fashion. Additional plans would not help employees to any appreciable degree and cannot be justified in terms of increased Government cost. It is therefore the conclusion of the Commission that enactment of the amendment proposed in H.R. 10539 would not be warranted and that this negative report should be offered.

Mr. Chairman, Mr. Lawton, Mr. Ruddock, and I are available for any questions you may care to ask concerning this testimony.

Mr. HENDERSON. Thank you, Mr. Macy.

I note that part of the Commission's objection to the bills under consideration is based on the additional administrative costs involved. Can you give the subcommittee a dollar estimate of the increased cost to the Government?

Mr. MACY. Mr. Ruddock, would you be good enough to give an estimate on that?

Mr. RUDDOCK. I am not sure that I can express it in terms of dollars, or that I should even try.

The administrative costs would come about because, first, we would have to determine that the plan qualifies under the law and then we would have to negotiate with that organization on the terms of the specific plan they propose to offer. We would have to write a brochure describing the plan and there would be some cost involved in the printing and distribution of that brochure.

Our additional costs would depend on how many additional plans chose to take advantage of this particular legislation, but I think we are talking probably in terms of no more than one or two additional people. I just cannot visualize enough additional plans wanting to participate to require us to hire more than one or two more people.

Mr. MACY. In terms of additional payroll, we would be talking about a figure in the neighborhood of $20,000?

Mr. RUDDOCK. I am sure that would cover it.

Mr. HENDERSON. That would be a continuing expense from year to year?

Mr. MACY. Yes, sir; although there would be greater expense during the installation period because of preparation of material, review of

the plan, and other actions that the Commission would have to take in order to qualify the plans that were submitted.

Mr. HENDERSON. Those costs would be one-shot costs, so to speak, and then the employment of two additional people would be continuing costs; do I understand you correctly?

Mr. GROSS. Mr. Chairman, will you yield?

Mr. HENDERSON. Yes.

Mr. GROSS. Why would there be additional costs after the installation?

Mr. MACY. Because of the additional plans, the review and maintenance of those plans, and the possibility of opening up periodically for reelection on the part of employees, a repetition of the open-season type of selection we had last year. These are some of the continuing costs involved that would be increased with the addition of further plans and further options.

Mr. HENDERSON. Mr. Ruddock, you mentioned that only one or two organizations might apply for the new plans. Do you have any information to base this on? Speak to that point, if you will, please.

Mr. RUDDOCK. Mr. Chairman, I know of only one organization which has expressed any active interest in participating in the program. I do not know whether there are any others that would care to participate or not, but I would assume that any other organizations which have been desirous of participating would have been in contact with us.

Mr. GROSS. Or in contact with this subcommittee and these hearings, do you not think?

Mr. RUDDOCK. I would think so.

Mr. MACY. That is true.

Mr. JOHANSEN. Would you mind saying what organization it was?

Mr. RUDDOCK. The mail handlers organization represented by Mr. McAvoy.

Mr. MACY. The representative of that organization appeared before the subcommittee previously.

Mr. JOHANSEN. I wanted to be sure it is the same group.

Mr. MACY. It is our understanding that this is the only organization at the present time that has manifested a desire to have an opportunity to compete in this field.

Mr. JOHANSEN. Would you address yourself to the complaint which their representatives registered which, as I recall, related to pirating of membership or something of the kind?

Mr. MACY. Yes, I would be happy to, Mr. Johansen.

I think we have to recognize that the existence of these health benefits programs, as a feature of employee organizations, has clearly become a competitive factor in their efforts to acquire membership. Consequently, there is the possibility of attracting members from one organization, that does not have a plan, to an organization that does have a plan. But the judgment of the Congress at the time the statute was passed was, as I indicated in my testimony, to cover only those organizations that had a program in being prior to the passage of the Federal law. The feeling was that there was an obligation not to put those plans out of business. They were an important part of the life of these organizations.

The question before us now is whether the statute should be opened up for the addition of further plans.

Our feeling is that the field is adequately covered for employees with the plans that exist and if we apply the standard that all organizations that do not have such a plan now should have a plan, this is going to multiply the number of plans and options to a degree that is going to be increasingly confusing.

Mr. GROSS. If I may, Mr. Chairman?

Mr. HENDERSON. Surely.

Mr. GROSS. Is that not a little contradictory, Mr. Macy? Has it not just been testified that you know of only one organization?

Mr. MACY. I know of only one now, Mr. Gross.

Mr. GROSS. Why do you anticipate more?

Mr. MACY. It would seem to me the same argument might be made by other organizations. You are correct; it has not been advanced up to the present time.

Mr. JOHANSEN. I guess I am particularly thickheaded this morning—it is all right if that is on the record—but the members of this particular organization are not barred from participating in the group plans for Federal employees?

Mr. MACY. No, sir. The members of the organization that is testifying in support of this legislation are eligible to participate in one of the two Government-wide programs and to enter into a number of other programs that are open generally.

Mr. JOHANSEN. The organization wants their own plan as an additional selling point for membership?

Mr. MACY. That is my understanding. They want this as a feature to attract and hold membership.

Mr. GROSS. As a matter of actual fact, they are being raided of their membership, are they not?

Mr. MACY. That is their testimony. Some of their members have been drawn into other organizations because of the existence of plans.

Mr. GROSS. That is right.

Mr. MACY. In fact, these plans have become a competitive feature betwen organizations where both of the organizations have plans.

Mr. GROSS. We did not envisage that when we passed the bill and I do not believe this committee gave any thought to that at the time.

Mr. MACY. I do not believe they did.

Mr. GROSS. I do not believe the Civil Service Commission did or any of us. This is in no way to speak disparagingly of Civil Service.

Mr. RUDDOCK. You remember, Mr. Gross, the primary reason for permitting the employee organization plans to continue and to participate under the program was that most of them were carrying their retired members. There was no other health benefit plan available for retired people so that if the plans then in existence had been denied the opportunity to participate in the Federal employees health benefits program, they would have had to discontinue their plans which would have meant a complete loss of benefits to their retired members.

I think this was the reason they were permitted to participate originally. There was no thought of using the health benefits program as a device for competition for membership among the organizations.

While we know of only the one organization that is actively seeking participation at this time, it is my opinion that if the legislation is

passed, other organizations will come in—be compelled to. For example, the American Federation of Government Employees and the National Federation of Federal Employees are, in a sense, competing organizations. The AFGE has a participating plan and the NFFE does not.

If this legislation were enacted, I would think the membership of the NFFE would urge its leadership to seek participation in the health benefits program. We have two associations, or two organizations, of postmasters, the league and the association. The league has a health benefits plan participating and the association does not. I think the same thing would be true here. I think we would be fostering this competition among the employee organizations and using the health benefits program for that purpose.

Mr. OLSEN. You say the league does have a plan?

Mr. RUDDOCK. Yes, sir.

Mr. OLSEN. You have two Government-wide plans?

Mr. MACY. Yes, sir; two Government-wide plans. One is an indemnity plan underwritten by the Aetna Insurance Co. and the other is the service plan which is the one tied into Blue Cross-Blue Shield. Those are the two Government-wide programs that are available. There are two options in each one for employees to select.

Mr. OLSEN. Do you have any idea of the administrative costs of those plans as related to medical benefits delivered to the employees?

Mr. MACY. Mr. Ruddock?

Mr. RUDDOCK. The administrative costs of the carrier in each of the Government-wide plans are running about 4 percent of premium. One of them, I believe, is 4.1, but I do not remember the exact figure of the other.

Mr. OLSEN. Which is 4.1?

Mr. RUDDOCK. Blue Cross-Blue Shield.

With the smaller organizations, it is extremely difficult to have administrative expenses which are as low as 4 percent in relation to premium.

Mr. OLSEN. Do you have figures that would show the administrative costs of the other plans?

Mr. RUDDOCK. Yes, sir; they have not yet been published but they will be presented to the Congress just as soon as we complete the job of compiling them.

Mr. OLSEN. How soon will that be?

Mr. RUDDOCK. I would expect within the next few months. At the end of the first contract period, we got an accounting report from each of the plans and they are now in the audit process. As you can well imagine, we have found that in some instances, after our auditors go in and take a look at the books and what is going on, some adjustment is required in the accounting statement presented to us. They are not all final.

Mr. OLSEN. Your survey now is from experience and you can readily see how much is spent on actual medical services delivered to the employee and how much is spent in administration?

Mr. RUDDOCK. Yes, sir.

Mr. OLSEN. Are some of these plans running as high as 10 percent?

Mr. RUDDOCK. Yes, sir.

Mr. OLSEN. Higher?

Mr. RUDDOCK. Ten percent. I believe we have one that is running administrative expenses of 12 percent of premium.

Mr. OLSEN. Is that the highest?

Mr. RUDDOCK. I am not sure.

Mr. OLSEN. That is as high as you know of?

Mr. RUDDOCK. That is as high as I know of, as of the moment.

Mr. OLSEN. That is one of the smaller plans?

Mr. RUDDOCK. Yes, sir.

Mr. OLSEN. The smaller the plan, the higher the cost of administration in relation to benefits?

Mr. RUDDOCK. Yes, sir.

Mr. HENDERSON. Is this the reason you point out in the statement that the premiums would be set so high as to make it prohibitive or not competitive?

Mr. RUDDOCK. Yes, sir.

Mr. OLSEN. Or else they would not be getting medical benefits comparable to that of other employees?

Mr. MACY. One or the other. In order to be financially sound, they have to cut one or the other.

Mr. JOHANSEN. If the gentleman would yield, would there not be a further problem with any organization which alleges that it has already lost members due to this factor, and would they not be under a serious handicap in trying to provide a plan attractive enough to win back those members?

Mr. MACY. Yes, sir.

Mr. JOHANSEN. Which, added to the factor the gentleman mentioned——

Mr. MACY. This would put further cost strain on their plan because they would have to make it sufficiently attractive in order to compete, to recapture those they have lost, and to go into the marketplace for membership in competition with existing plans.

Mr. JOHANSEN. Then with the added factor of small membership, the two would combine and it seems to me would make it a pretty costly proposition.

Mr. MACY. That is our view.

Mr. JOHANSEN. I do not mean to be unfeeling about it, but it looks to me as if the organization is being penalized for not having gotten into the thing some years ago. It is just a consequence of their not having done it prior to the adoption of the overall program.

Mr. HENDERSON. Mr. Ruddock, could you tell us whether, from the operating experience you have had, any of these plans have run into trouble at this point?

Mr. RUDDOCK. Financial trouble?

Mr. HENDERSON. Yes.

Mr. RUDDOCK. No, sir; not to any serious extent. We have attempted, before we sign a contract for any one of these plans, to get some assurance that the premium is adequate to support the benefit level. There are some of the plans which are going to have to increase their rates this fall. This is not true of either of the Government-wide plans.

It is my recollection at the moment that we are not going to have any premium increase in any of the employee organization plans this year, but we will have increases in some of the comprehensive medical

plans. None of the employee organizations-sponsored plans are in serious financial trouble at the moment.

Mr. OLSEN. Tell me, are there any employee organization plans that have as favorable administration cost-and-benefit-received ratio as the Government plans?

Mr. RUDDOCK. I do not think so, sir, but I am not sure.

Mr. OLSEN. So far as you can recollect at this time, there is no employee organization plan in which administration costs run as low as 4 percent?

Mr. RUDDOCK. Not to my recollection.

The plan of the National Association of Letter Carriers has over 100,000 members and when you begin to get into this kind of volume, there is not too much difference between 100,000 and 1 million.

Mr. OLSEN. I see: so the plan of the National Association of Letter Carriers might be as low in administrative costs percentage as——

Mr. RUDDOCK. It might be, but I just do not know.

Mr. MACY. We could verify that, if that would be helpful.

Mr. OLSEN. The reason I asked is because I think it might be disclosed that the Government-wide plans are really a selling argument for every organization if they avail themselves of it, as against any employee organization plan.

Mr. JOHANSEN. Is it not true that in order for the smaller organization not heretofore having a plan of its own to be competitive benefitwise, it almost has to become noncompetitive costwise?

Mr. MACY. That would appear to be the answer, yes, sir.

Mr. OLSEN. Mr. Chairman, this thought occurs to me. Many employee organizations would be in here testifying in support of this bill except for the fact that the Government-wide plans are really to the advantage of most of the employee organizations to go into the Government-wide plan, rather than have their own.

Mr. JOHANSEN. Benefit- and cost-wise both.

Mr. OLSEN. Right.

Mr. MACY. Of course, the broader the participation in the Government plans, the better the benefits and the better the cost ratio.

Mr. OLSEN. That is just plain ordinary insurance sense. The broader you spread the rights, the cheaper the risks, the cheaper the costs.

Mr. GROSS. Mr. Chairman, if I may?

Mr. HENDERSON. Yes.

Mr. GROSS. Mr. McAvoy came in and testified back in 1959 with other employee groups in behalf of this program, little realizing that this situation would develop.

Now, I am not carrying the torch for the Mail Handlers or any other employee organization, but I just do not like to see any organization wiped out by reason of this.

Is there anything that you can suggest, Mr. Macy, or any of you gentlemen, that would be helpful in this situation?

Mr. MACY. Let me turn to Mr. Ruddock on that. I do not have an immediate response.

Mr. OLSEN. If the gentleman would yield—I do not like to butt in, but my point is, and my observation is, and I could be wrong, that it is to the advantage of the Mail Handlers, for instance, that they do not have a plan of their own, but that their members participate

in the Government-wide plan. That plan can give them the most benefits for the least administrative costs.

Mr. JOHANSEN. What the gentleman means is that it is to the advantage of the membership?

Mr. OLSEN. Yes.

Mr. JOHANSEN. Organizationwise, they apparently are having a problem holding their own.

Mr. GROSS. Right.

Mr. OLSEN. Are there not many other organizations that do not have a plan and are participating in the Government plan?

Mr. MACY. Yes, I would say there are probably as many employee organizations without their own plan as there are who have them under the existing plan.

Mr. JOHANSEN. The question I ask my friend from Iowa, and I do not know that any of us know the answer, is: How are you going to avoid, or repeal, the effect of arithmetic in this situation it puts this organization in? I accept their story completely but it is not the committee's action, or the action of the Congress, but arithmetic of the situation and the competitive picture that now exists.

Mr. GROSS. If I had the answer to that, my friend, I would not have appealed to the Chairman of the Civil Service Commission and his associates for some help.

Mr. MACY. Perhaps Commissioner Lawton has some counsel on this one.

Mr. HENDERSON. Mr. Lawton?

Mr. LAWTON. I do not have any view on this question in my mind as to whether one of the purposes of the health insurance program is to recruit membership or maintain membership. If that is the purpose, then I would have to say you would have to tailor your program along that line. If the program is looking at the interests of the Government and the employee himself, then I think this is the better——

Mr. GROSS. I realize that.

Mr. OLSEN. That is well spoken. The purpose is to deliver many benefits to the employees?

Mr. MACY. That is right. This was the intent of the Congress in providing this legislative authority.

Mr. HENDERSON. Mr. Macy, perhaps at this point you could go into your statement with regard to H.R. 1927 and then we could devote the remainder of the time until 11 o'clock to the other matter.

(The report of the Civil Service Commission on H.R. 1927 follows:)

CIVIL SERVICE COMMISSION,
Washington, D.C., July 7, 1961.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. MURRAY: This refers further to your request of January 12 for Commission report on H.R. 1927, a bill to provide for certain survivors' annuities in additional cases under the Civil Service Retirement Act of May 29, 1930.

H.R. 1927 would retroactively change the annuity rights of certain former employees separated with title to annuity under section 7 of the Retirement Act in effect prior to October 1, 1956. Section 7 vested such rights in the following terms:

"(a) Should any officer or employee to whom this Act applies after having rendered five years of civilian service, computed as prescribed in section 5 of this Act, but less than twenty years of creditable civilian service and before becoming

eligible for retirement under section 1(a) of this Act become separated from the service, such officer or employee shall be paid as he may elect, (A) a deferred annuity beginning at the age of sixty-two years, or the age at separation if beyond the age of sixty-two, computed as provided in section 4(a) of this Act, or (B) the total amount credited to his individual account together with interest at 4 per centum per annum to December 31, 1947, and 3 per centum per annum thereafter compounded on December 31 of each year to date of separation.

"(b) Should any officer or employee to whom this Act applies, after having rendered at least twenty years of creditable civilian service and before becoming eligible for retirement under section 1(a) of this Act become separated from the service, such officer or employee shall be paid a deferred annuity beginning at the age of sixty-two years, or the age at separation if beyond the age of sixty-two, computed as provided in section 4(a)."

The annuity afforded section 7 eligibles (computed under sec. 4(a)) was a single life annuity, the law providing in part—

"The annuity of an officer or employee retired under this Act shall be a life annuity, terminable upon death of the annuitant * * *"

By the specific terms of this prior act, the right to elect upon retirement, in lieu of life annuity, a reduced annuity carrying with it a continuing annuity after death to surviving spouse was limited to the married employee retiring under section 1, 2, or 6 thereof. These sections covered age, optional, 25-year involuntary, and disability retirements. In other words, the right was available only to employees who had at least 15 years' service and remained in service until eligible to retire on immediate annuity or who retired on immediate disability annuity. Section 7 deferred-annuity eligibles were not given this option; their separaton benefit was restricted to life annuity only.

This bill would afford the spouses' survivorship option available in section 1, 2, or 6 retirement cases to section 7 eligibles separated during the period June 30, 1953 to September 30, 1956 on the following basis:

1. Each eligible whose deferred annuity has not commenced and who was married at date of retirement (age 62) would be permitted to elect in lieu of life annuity a reduced annuity and name his or her spouse for survivor annuity.

2. The eligible whose deferred annuity has already commenced (at age 62, or at separation if 62 or over at that time) would be permitted to elect reduced annuity with benefit to widow or widower, upon application to the Commission within 6 months after enactment date of the bill, and upon repayment to the retirement fund of the amount by which the annuity received would have been reduced from commencing date under the terms of the reduced annuity election.

3. The annuity of each individual making the survivor election would be reduced by 5 percent of the first $1,500 of the single life rate, plus 10 percent of the annuity over that amount, with a further reduction of three-fourths of 1 percent for each full year the named spouse was under age 60 at retirement date of the former employee, the total reduction not to exceed 25 percent in any case.

4. Each survivor election would afford the named spouse title to survivor annuity of one-half the retiree's single life rate, commencing the day after the retiree dies or the day after the named spouse attains age 50, whichever is the later. Annuity to each spouse would terminate upon remarriage or death.

The annuity reductions required by the act for survivor elections do not cover the cost of survivor annuities provided. This is still true after allowance for the provision requiring payment into the retirement fund of the amount by which the annuity would have been reduced from its commencing date, had the election then been made.

There are now 25,000 annuitants on the roll with title under section 7 of the prior act. We estimate about 28,000 separated employees will qualify for deferred annuities under section 7 when they attain age 62. These totals include all separations from April 1, 1948, through September 30, 1956. Allowing for the separations during the period not covered by the bill, and assuming that about 25 percent would elect reduced annuities, we estimate the cost of H.R. 1927 would be approximately $7 million.

The Commission opposes this bill. There are several reasons for our position.

The proposal would retroactively liberalize annuity rights vested under an earlier statute. The Commission has consistently viewed such retroactive liberalizations as objectionable in principle, except to correct obvious inequity.

No inequity exists in this situation. Individuals who would be affected are receiving or are eligible to receive precisely the separation benefit promised to and intended for them. Establishing spouses' survivor protection over and above the benefit originally provided, with resulting Government cost, is not warranted.

The proposal runs counter to established congressional policy. The Retirement Act first made provision for 5-year discontinued-service annuity starting with the amendatory act of January 24, 1942. At that time and until revision of the act in 1956, the survivorship option was deliberately withheld from eligibles for 5-year discontinued-service annuity.

The 1956 act now affords the survivorship option to such eligibles separated on or after October 1, 1956, but in enacting this change the Congress clearly reaffirmed its policy that the separation benefit for 5-year discontinued-service annuity eligibles separated prior to October 1, 1956, should remain a single life annuity. Congress enacted the 1956 Retirement Act liberalizations to: (*a*) Bring current and future employees abreast of those already retired in the area of benefit adjustments, and (*b*) restore Government to leadership in the retirement field. Liberalizations made in 1956 were accordingly departures from past provisions, adopted strictly for the future to better attract and retain competent personnel.

Except where specific provision was made to the contrary, the 1956 Retirement Act became effective October 1 of that year and applied only to the cases of persons in the service on or after that date. Congress made this doubly certain, and enacted the cited reaffirmation of policy as regards prior 5-year discontinued-service annuity rights, by stipulating in the 1956 law itself that it would not apply to employees "retired or otherwise separated prior to its effective date, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if this title had not been enacted." The Commission finds no justification for reversal of this established and reaffirmed policy of the Congress.

The civil service retirement system is in concept and purpose a staff retirement plan, but carrying with it certain authorization for survivor annuities. The system recognizes some obligation on the Government's part toward the family of an employee who makes a career of Federal service and remains until retirement or whose career is interrupted by death. Some provisions for survivor annuity, it is true, have gone beyond this concept. For instance, provision has been made for widow and widower annuities of employees retired prior to April 1, 1948, or those who died in service after 10 years' employment prior to February 29, 1948. However, these other provisions all were adopted solely out of humanitarian considerations, because affected survivors had been left almost wholly unprotected.

Such humanitarian considerations are largely absent in the cases this bill would cover. In a substantial portion of these cases where a period of years intervenes from date Federal employment ends and annuity begins at age 62, the former employee engages in other work which affords coverage under the social security system which in turn provides survivor protection after a minimum of six quarters of covered employment. Presumably the Congress took this factor into consideration—that survivor protection has been acquired otherwise—when it reaffirmed its policy of allowing single life annuity only to 5-year discontinued-service eligibles with benefits commencing after April 1, 1948, based on separations occurring prior to October 1, 1956.

H.R. 1927 is objectionable also because it would be piecemeal legislation. The June 30, 1953, dividing line it sets up has no rationale except in respect to a particular case and would ignore numerous cases of other individuals (separated during the period April 1, 1948, to June 29, 1953) who are similarly situated. Even if the basic proposal were sound, the commission could not favor patchwork legislation of this sort.

The commission accordingly recommends that adverse action be taken on H.R. 1927.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

STATEMENT ON H.R. 1927

Mr. MACY. Mr. Chairman, I will move through this very rapidly.

Mr. Chairman and members of the subcommittee, I welcome this hearing for a presentation of Civil Service Commission views on H.R. 1927. This bill would amend the Civil Service Retirement Act by retroactively changing the annuity rights of certain former employees separated before October 1, 1956, with title to deferred annuities.

Under the law in effect between April 1, 1948, and September 30, 1956, an employee then separated after 5 years' civilian service was entitled to deferred annuity starting (*a*) when he reached age 62, or (*b*) at separation if he had already attained that age. This benefit was a single life annuity payable to the former employee only and ending upon his death. The right to elect a reduced annuity carrying with it an annuity, after death of the employee, to a named spouse was available only to married employees retiring for disability or retiring after serving at least 15 years and meeting the age and other conditions necessary for immediate annuity.

H.R. 1927 proposes to allow retroactively the right to make spouses' survivor annuity elections on the part of some of these deferred annuity eligibles and retirees. The right would be extended to those separated during the period June 30, 1953, to September 30, 1956. Elections in these cases to take the survivor plan would be effective from actual retirement dates, and retirees already on the roll would be required to repay to the retirement fund—within 6 months—the amounts by which their annuities would have been reduced had survivor elections been made initially.

The annuity reductions required for the proposed elections would not pay the cost of survivor annuities provided. There are now 25,000 of these deferred annuitants on the roll. We estimate that about 26,000 additional separated employees will qualify for such deferred annuities when they attain age 62 in the future. These totals include all separations from April 1, 1948, to September 30, 1956. Eliminating the separations prior to June 30, 1953, which cases are not covered by the bill, and assuming that about 25 percent of those made eligible would elect reduced annuities, we estimtae the cost of H.R. 1927 would approximate $7 million.

For reasons detailed in its report of July 7, 1961, which you may wish to include in the record of these hearings, the Commission recommends that this proposal not be enacted. The individuals the bill would affect are receiving or are entitled to receive exactly the single life benefit promised to and intended for them. Establishing spouses' survivor protection over and above the benefit originally provided, with resulting Government cost, is not justified—particularly on the piecemeal basis proposed. The bill sets up a dividing line at June 30, 1953, which has no rationale except in respect to a particular case. The bill would ignore numerous cases of other individuals—separated during the period April 1, 1948, to June 29, 1953—who are similarly situated. Even if the basic proposal were sound, the Commission could not favor this patchwork approach.

The civil service retirement system is basically a staff retirement plan. But it includes certain authorizations for survivor annuities. The system recognizes some obligation on the Government's part

toward the family of an employee who makes a career of Federal service and remains until retirement or whose career is interrupted by death. Some provisions for survivor annuity, it is true, have gone beyond this concept. For instance, provision has been made for widow and widower annuities of employees retired prior to April 1, 1948, or those who died in service after 10 years' employment prior to February 29, 1948. However, these other provisions all were adopted solely out of humanitarian considerations, because affected survivors had been left almost wholly unprotected.

Humanitarian considerations are largely absent in the cases this bill would cover. In a substantial portion of these cases where a period of years intervenes from date Federal employment ends and annuity begins at age 62, the former employee engages in other work which affords coverage under the social security system which in turn provides survivor protection after a minimum of 6 quarters of covered employment. Thus, it is reasonable to assume that many in the class this bill seeks to benefit already have or will have earned survivor protection under the social security system through other employment after leaving the Government service.

The Commission is unable to support favorable action on this bill. It will neither strengthen the retirement system nor provide significant social benefits on an equitable basis.

Mr. HENDERSON. Mr. Macy, the report and your statement suggested that the date used in the bill—June 30, 1953—may be inappropriate. Would you suggest a more appropriate date?

Mr. MACY. If the provisions of the legislation were to be enacted, the more appropriate effective date would be April 1, 1948.

Mr. JOHANSEN. There would not be a gap at all?

Mr. MACY. So there would not be a gap at all. It now seems to me that there will be a gap developing further inequities.

Mr. HENDERSON. Are there any further questions of Mr. Macy on this bill?

Mr. OLSEN. If the date were rolled back to 1948, how much would it cost?

Mr. MACY. We have estimated it would cost $7 million for this period. It would run it up to $10 million if we carried the date back to April 1, 1948.

Mr. GROSS. Annual cost?

Mr. MACY. No; this is a one-time cost.

Mr. OLSEN. This assumes the Government puts up the $10 million and that is it; is that right?

Mr. MACY. That is right.

Mr. GROSS. It amounts to a pay-in?

Mr. OLSEN. If the Government pays in the $10 million, it would take care of that?

Mr. MACY. Right.

Mr. HENDERSON. Thank you, Mr. Macy.

Would you proceed with your statement on H.R. 3258 and related bills?

(The Civil Service Commission reports on H.R. 3258, H.R. 1058, H.R. 2794, and H.R. 42 follow:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 7, 1962.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. MURRAY: This refers further to your letter of January 30, 1961, requesting Commission report on H.R. 3258, a bill to allow credit under the Civil Service Retirement Act to certain Federal employees for service in Federal-State cooperative programs in a State, and for other purposes.

H.R. 3258 would allow Retirement Act credit for past employment with certain non-Federal entities where an individual (not certified as eligible for relief) was primarily engaged in carrying out a program authorized by act of Congress and financed in whole or in part by Federal funds, including cooperative arrangements with Federal contribution in the form of licensing or supervision.

Effective upon its enactment, the bill would extend the proposed credit to employees and annuitants under certain specified conditions. In each instance, credit would be permitted only for such periods of described non-Federal service as were performed before final employment under the Retirement Act and for which deposit is made. In the case of annuitants, application for credit would have to be filed within 1 year after date of enactment. Adjusted benefit rates of qualifying annuitants would be effective from the first of the month following enactment of the bill.

The parenthetic clause beginning in line 10 of page 1 would deny the proposed credit to anyone "certified as being eligible for relief" while employed as indicated. This proviso is incomplete and would not operate. It should be completed or deleted. The words "or member" should be inserted after "employee" in lines 7 and 8, page 2.

The provisions in paragraph (4) (beginning on line 5, page 3) warrant special consideration. They would require reduction of annuity payable under the Retirement Act to employees qualifying for the bill's benefits by the amount of any "State annuity" paid to or which may be paid to the employees if such State annuity is allowed under a contributory retirement system.

Not all States have retirement systems for their employees and the State of Delaware's system is noncontributory. Six States rely solely upon Social Security Act coverage for their general employees' retirement benefits. Some States provide a combination of State sponsored, contributory retirement coverage, and social security. Obviously the bill's provisions would produce sharp distinctions and inequities; some persons would receive unwarranted benefits in comparison with those covered by contributory State retirement systems. Nor does payment of retirement benefits through two Federal systems (civil service and social security) for the same service periods seem warranted.

We strongly urge that paragraph (4) be deleted and in its place provision made prohibiting allowance of credit for any periods of State service otherwise creditable under this proposal if such service constitutes the basis for payment (either in whole or in part) of State annuity and/or social security benefits.

The civil service retirement system is designed exclusively for retirement of Federal and District of Columbia employees—to provide benefits in the nature of an award for faithful service received by the United States. This guiding concept must be held firm if the system is to remain a Federal staff plan and an effective instrument of personnel management. The system's effectiveness will be severely reduced if it declines to a pension plan for every type of outside service. The precedent established by enactment of this bill would inevitably be urged to support proposals for extending credit for almost any type of outside employment.

Provision in the Retirement Act for vesting annuity benefits at age 62 after a minimum of 5 years of civilian employment, fulfills any reasonable obligation the Government may have to provide retirement benefits to an individual who spends only part of his working lifetime in the Federal service. We can find no reasonable basis on which the Government should assume a responsibility to pay annuity based on additional service rendered to some other employer and for which such other employer was directly responsible.

The Commission notes that S. 1041, a bill to credit certain State service under the Retirement Act, was approved by the 84th Congress but vetoed by the President under date of August 12, 1955. Briefly, the White House memoran-

dum of disapproval stated that the bill was not approved because it would (1) make improper use of Federal funds to pay for service never received by the United States, (2) result in an unsound shifting of fiscal responsibility from State to Federal Government, (3) set an undesirable precedent, and (4) constitute an unsound approach to the desirable goal of increased employee mobility. It is also noted that on July 1, 1960, the legislative body, notwithstanding Commission opposition and Presidential veto, accorded employees of agricultural stabilization and conservation county committees the benefits of the Civil Service Retirement Act, Federal Employees' Group Life Insurance Act, and Federal Employees Health Benefits Act.

The Commission is in complete accord with the position of the then Chief Executive in each instance and since this bill proposes to credit only non-Federal service recommends strongly that adverse action be taken on H.R. 3258.

In the absence of current figures regarding the number, length of service, and average salary of possible beneficiaries under this bill, we cannot furnish an estimate of total cost. However, it is plain that a substantial element of cost to the Government would be involved.

It is noted that this bill does not provide an exception to the restriction on the use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85–844, 72 Stat. 1064.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 7, 1962.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. MURRAY: This refers further to your letter of January 12, 1961, relative to H.R. 1058, a bill to amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes.

H.R. 1058 proposes to allow credit under the Civil Service Retirement Act for certain service as an employee of a State (including Puerto Rico) or any instrumentality thereof, if such service was performed exclusively or primarily in the following areas:

1. Rural rehabilitation.
2. Agricultural experiment station employment.
3. Vocational education.
4. Agricultural extension work.
5. Forest and watershed protection.
6. Plant pest and animal disease control.

The proposed credit would be extended to officers, employees, and annuitants (retired under any of the civil service retirement acts) meeting specified conditions as follows:

"Employees: Must (*a*) be serving subject to the Retirement Act at retirement or death; (*b*) have completed at least 5 years of other creditable service; (*c*) have deposited, with interest, the percentage retirement deductions applicable to the State service; and (*d*) have had the State service excluded from credit for purposes of any State annuity received.

"Annuitants: Must (*a*) have retired on or after June 30, 1954, and before the enactment date of the bill; (*b*) apply for the State service credit within 1 year following such enactment date; (*c*) deposit, with interest, the percentage retirement deductions applicable to the State service; and (*d*) have the State service excluded from credit for purposes of any State annuity received."

In each instance, credit would be permitted only for such periods of described service as were performed prior to final employment under the Retirement Act. The adjusted benefit rates of annuitants, after inclusion of added service, would be effective from the first of the month following enactment of the bill.

The United States can and does use at least three different methods to carry out its functions. It may: (1) do all or part of the job itself using Federal employees; (2) contract to have all or part of a job done by an outside organiza-

tion, in which case employees of the contractor do the work; or (3) furnish funds to States or other outside agencies to foster or develop programs in which it has an interest.

Examples of the third method are the Federal grants, loans, and other aids afforded the several States and their instrumentalities in the development of such varied programs as agriculture, public roads, education, social services, relief, etc. Although Federal funds are used, these programs are essentially State functions. Employees engaged in their administration are selected, employed, and supervised by the States and State instrumentalities. The fact that some portion of their salaries is paid from funds originally appropriated by Congress to aid State functions which will ultimately promote the general welfare does not distinguish them from other State employees. They are not Federal employees in any sense.

Method 3 describes precisely the type of employment this bill seeks to credit under the Retirement Act. Out of some 80-odd known Federal-State programs, the bill designates six wherein the State or State-instrumentality service would be credited under the Retirement Act. The effect of the bill, if enacted, may thus be summarized as authorizing Federal retirement pay for non-Federal service on a selective and discriminatory basis.

The Commission opposes enactment of H.R. 1058, just as it has consistently declined to concur in other past legislative proposals to credit non-Federal service under the Retirement Act even though the employment was paid for wholly or partly from Federal funds.

As an integral part of the Government's personnel program, the retirement system is designed exclusively for the retirement of Federal and District of Columbia employees—to provide benefits in the nature of an award for faithful service received by the United States. This guiding concept must be held firm if the retirement system is to remain a Federal staff plan and an effective instrument of personnel management. The system's effectiveness would be severely reduced if it were to decline to the status of a mere pension plan for every type of outside service. The precedent established by enactment of this bill would inevitably be urged in support of proposals for extending credit for almost any type of outside employment.

The Government, through a provision in the Retirement Act for vesting annuity benefits at age 62 after a minimum of 5 years of civilian employment, fulfills any reasonable obligation it might have to provide retirement benefits to an individual who spends only a part of his working lifetime in the Federal service. Whether the 5 years or more of Federal service come at the beginning, middle, or end of his working career, he receives a retirement benefit for this part of his life's work. We can find no reasonable basis on which the Government should assume a responsibility to pay annuity based on additional service rendered to some other employer, and for which such other employer was directly responsible.

The Commission notes that S. 1041, a bill to credit certain State service under the Retirement Act, was approved by the 84th Congress but vetoed by the President under date of August 12, 1955. Briefly, the White House memorandum of disapproval stated that the bill was not approved because it would (1) make improper use of Federal funds to pay for service never received by it, (2) result in an unsound shifting of fiscal responsibility from State to Federal Government, (3) set an undesirable precedent, and (4) constitute an unsound approach to the desirable goal of increased employee mobility. It is also noted that on July 1, 1960, the legislative body, notwithstanding Commission opposition and Presidential veto, accorded employees of agricultural stabilization and conservation county committees the benefits of the Civil Service Retirement Act, Federal Employees' Group Life Insurance Act, and Federal Employees Health Benefits Act.

The Commission is in complete accord with the position of the Chief Executive in each instance and recommends strongly that adverse action be taken on H.R. 1058.

In the absence of current figures regarding the number, length of service, and average salaries of possible beneficiaries under H.R. 1058, we cannot furnish an estimate of total cost. However, it is obvious that a substantial element of cost to the Government would be involved.

Need for technical revision is seen if the bill is considered by Congress, in that lines 17 and 18, page 4, state: "As used in this subsection the term 'State' includes Alaska, Hawaii, and Puerto Rico." Alaska and Hawaii should be deleted from the passage. Also, for purposes of consistency and to include

Members of Congress as beneficiaries of the bill, the words "employee or Member" should be substituted (*a*) for the phrase "officer or employee of the United States Government or the municipal government of the District of Columbia" in line 9, page 1, and line 1, page 2, and (*b*) for the words "officer or employee" wherever they otherwise appear in the bill.

It is noted that this bill does not provide an exception to the restriction on the use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85–844, 72 Stat. 1064.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 7, 1962.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service, House of Representatives.

DEAR MR. MURRAY: This refers further to your letter of January 23, 1961, requesting Commission report on H.R. 2794, a bill to amend the Civil Service Retirement Act to include as creditable service certain service performed in Federal-State cooperative programs financed in whole or in part by Federal funds.

If this bill is considered by Congress, technical amendments are needed for consistency and to include Members of Congress as beneficiaries of the proposal. This would be accomplished by striking "of the Federal Government or the municipal government of the District of Columbia" in line 9, page 1, and line 1, page 2, and by inserting "or Member" after the word "employee" wherever it appears in the bill.

H.R. 2794 proposes to allow annuity credit under the Retirement Act for service performed in the employ of a State or any instrumentality thereof provided certain specified conditions are met. Credit would be allowed each person serving in a position covered by the Retirement Act at time of retirement or death if (1) the State service is certified as required in the bill, (2) the employee has 5 years or more of other creditable service, (3) deposit is made as required by the Retirement Act for a comparable period of Federal service, and (4) such State service is excluded from computation of any State annuity.

We must assume that the bill's provision to credit service under the National Emergency Relief Administration was included specifically to provide for crediting service performed on projects or as a recipient of relief. The Commission cannot concur in this proposition. No reason is apparent why an individual performing, in most instances, "made" work to relieve the depressed economy should be viewed as a Federal employee. Nor is any obligation seen on the Government's part to pyramid the expenses of the relief program by now granting such retirement credit. Present rules for crediting relief administration service are very liberal; allowance of credit for periods of purely relief and relief project is not warranted.

This retirement system is designed exclusively for retirement of Federal and District of Columbia employees—to provide benefits in the nature of an award for faithful service received by the United States. This guiding concept must be held firm if the system is to remain a Federal staff plan and an effective instrument of personnel management. The system's effectiveness will be severely reduced if it declines to a pension plan for every type of outside service. The precedent enactment of this bill would establish, would inevitably be urged to support proposals for extending credit for almost any type of outside employment.

Provision in the Retirement Act for vesting annuity benefits at age 62 after a minimum of 5 years of civilian employment fulfills any reasonable obligation the Government may have to provide retirement benefits to an individual who spends only a part of his working lifetime in the Federal service. We can find no reasonable basis on which the Government should assume a responsibility to pay annuity based on additional service rendered to some other employer and for which such other employer was directly responsible.

The Commission notes that S. 1041, a bill to credit certain State service under the Retirement Act, was approved by the 84th Congress but vetoed by the President under date of August 12, 1955. Briefly, the White House memorandum of

disapproval stated that the bill was not approved because it would (1) make improper use of Federal funds to pay for service never received by the United States, (2) result in an unsound shifting of fiscal responsibility from State to Federal Government, (3) set an undesirable precedent, and (4) constitute an unsound approach to the desirable goal of increased employee mobility. It is also noted that on July 1, 1960, the legislative body, notwithstanding Commission opposition and Presidential veto, accorded employees of agricultural stabilization and conservation county committees the benefits of the Civil Service Retirement Act, Federal Employees Group Life Insurance Act, and Federal Employees Health Benefits Act.

The Commission is in complete accord with the position of the then Chief Executive in each instance and recommends strongly that adverse action be taken on H.R. 2794.

In the absence of current figures regarding the number, length of service, and average salary of possible beneficiaries under this bill, we cannot furnish an estimate of total cost. However, it is plain that a substantial element of cost to the Government would be involved.

It is noted that this bill does not provide an exception to the restriction on the use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85–844, 72 Stat. 1064.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 8, 1962.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. MURRAY: This refers to your letter of January 5, 1961, requesting Commission report on H.R. 42, a bill to facilitate the recruitment of trained and experienced employees in departments of Government; to retain trained employees in Government, and to correct inequities under the Civil Service Retirement Act through crediting service under Federal-State cooperative programs or certain Federal programs financed directly or indirectly, in whole or in part, by Federal funds.

The purpose of the parenthetic clause located on page 2, lines 3 and 4 of this bill, is not clear. It would deny the proposed credit to anyone who was "certified as being eligible for relief" while employed as indicated. This restriction seems to have been borrowed from another proposal which intended, among other things, to credit service performed on a relief project administered by a Federal agency, if during the service the individual was not certified as being eligible for relief. Without language to similarly credit such project employment, inclusion of the parenthetic clause in this bill sets up a restriction which is inappropriate and which would seem out of line with the bill's purpose.

This bill would allow credit under the Retirement Act for past employment with certain non-Federal entities where an individual was primarily carrying out a program authorized by act of Congress and financed in whole or in part by Federal funds, including cooperative arrangements with Federal contribution in the form of licensing or supervision.

The bill proposes to credit service of this nature if performed while an employee of a State, a State instrumentality, or an association or committee established or utilized under the Agricultural Adjustment Act (act of May 2, 1933) or section 8 of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h). In order for credit to be allowed, however, the service must be certified by the head of the agency, department, or independent etsablishment which administers the program or otherwise established to the Commission's satisfaction: the employee or member must have at least 5 years of allowable service under the act, exclusive of the service covered by this bill; and such service must be excluded from credit for the purposes of any annuity received by the employee from a State or under the Social Security Act.

It should be noted that if this bill is considered further by the committee, it should be amended, so as to be internally consistent, by adding the words "or member" after the word "employee" on lines 3 and 4, page 3 of the bill.

The bill should also be amended by deleting the passage beginning on page 2, line 5, which reads: "or an association of producers or a committee established or utilized under authority of the Agricultural Adjustment Act or section 8 of the Soil Conservation and Domestic Allotment Act."

The purpose of this passage was fulfilled by enactment of Public Law 86–568, dated July 1, 1960, section 115 of which legislates Agricultural Stabilization and Conservation county committee employees as being Federal employees for retirement, life insurance, and health benefits purposes. These committees were authorized by section 8 of the Soil Conservation and Domestic Allotment Act and absorbed the producers associations authorized by the Agricultural Adjustment Act.

The main consideration of this bill evolves upon the point that all of the service sought to be credited by the bill is clearly non-Federal. The Federal Government is not the employer in any of the situations covered by the bill. States or States instrumentalities are the employers.

One method used by the United States to promote the general welfare is to furnish monetary or other aids to States and their instrumentalities to foster or develop programs which will contribute to that end. Examples of this are the Federal grants, loans, and other aids afforded States and State instrumentalities in the development of such varied programs as agriculture, education, social service, public roads, relief, and so forth. Although Federal funds are used to further them, these programs are essentially State functions. Employees engaged in the administration of such programs are selected, employed, and controlled by the States and State instrumentalities.

The fact that the salaries of such State employees are paid in whole or in part from funds originally appropriated by Congress to aid accomplishment of State functions which ultimately will promote the general welfare does not distinguish them from other States employees. They are not Federal employees in any sense.

Notwithstanding this non-Federal status, the bill in its title expresses the notion that granting Federal retirement pay for such service will "correct inequities under the Civil Service Retirement Act." The logic in this approach is not apparent. To our mind, the failure to credit non-Federal service within a system specifically designed to provide annuities in return for Federal service can hardly be termed an inequity. In other words, the Commission cannot view this proposal as righting any wrong; its enactment would simply permit payment of civil service annuity for certain types of non-Federal employment. Since only particular kinds of non-Federal service would be thus rewarded, the bill would create, not correct, inequities.

Accordingly, the Commission opposes enactment of H.R. 42, just as it has consistently declined to concur in other past legislative proposals to credit non-Federal service under the Retirement Act on the ground that the employment was paid for wholly or partly from Federal funds.

There are compelling reasons for our position. The Civil Service Retiement Act is a staff retirement system adopted as part of the personnel policy of the Federal Government. As an integral part of the Government's personnel program, the system is designed exclusively for the retirement of Federal and District of Columbia employees—to provide benefits in the nature of an award for faithful service received by the United States.

The Government through a provision in the Retirement Act for vesting annuity benefits at age 62 after a minimum of 5 years of civilian employment, fulfills any reasonable obligation it might have to provide retirement benefits to an individual who spends only a part of his working lifetime in the Federal service and then leaves to enter other employment. Similarly, if the 5 years or more of Federal service come at the end of his working career, he receives a retirement benefit for this part of his life's work. In this latter case, we can find no reasonable basis on which the Government should assume a responsibility to pay annuity based on prior service rendered to some other employer, and for which such other employer was directly responsible.

We are fully aware that the Congress has not shared our views on this question of crediting non-Federal service under the Retirement Act. In the 84th Congress, we reported adversely on S. 1041 and other bills designed to allow service credit for certain non-Federal service. S. 1041 was ultimately approved

by the Congress but vetoed by the then President on August 12, 1955. The White House memorandum of disapproval stated in part:

"The bill is not approved because it would (1) make improper use of Federal funds to pay for service never received by it, (2) result in an unsound shifting of fiscal responsibility from State to Federal Government, (3) set an undesirable precedent, and (4) constitute an unsound approach to a desirable goal of increased employee mobility."

Since there have been no changes in the considerations which warranted these conclusions, we are in complete accord with the views expressed in the Presidential message above outlined. The Commission accordingly recommends strongly that adverse action be taken on H.R. 42.

Due to the lack of information as to the types of service, length of service, average age of the retirees, their average salaries, and so forth, no cost figures can be furnished for this bill at this time. The costs computed in the evaluation of S. 1041 for the group of employees who would have benefited by its passage indicated that at that time the additional cost to the retirement fund directly attributable to the bill would be about $4,000 per person. This figure has been raised by the passage of Public Law 84–854 on July 31, 1956, to about $5,000 per person. This figure would be further heightened by operation of the 1958 and 1960 salary increases which result in annuity benefits being based on a higher 5-year average salary.

It is noted that this bill does not provide an exception to the restriction on the use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85–844, 72 Stat. 1064.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

STATEMENT ON H.R. 3258 AND RELATED BILLS

Mr. MACY. Mr. Chairman and members of the subcommittee. I am pleased at this time to supplement in testimony the Civil Service Commission's formal reports of May 7 and 8, 1962, on H.R. 42, H.R. 1058, H.R. 2794, and H.R. 3258. These reports set forth the Commission position in this area and offered detailed supporting reasons for that position.

In the event the committee wished to give consideration to these bills, certain technical amendments were drafted which I shall not repeat here.

All four bills involve the same basic idea—that of according Civil Service Retirement Act credit for certain service performed as an employee of a State or State instrumentality where Federal funds are involved. H.R. 1058 would authorize crediting State or State instrumentality employment performed in carrying out any one of six designated programs. The other three bills are much broader. H.R. 2794 proposes to cover any program financed in whole or in part by Federal funds. H.R. 42 and H.R. 3258 would include any such program authorized by act of Congress but would operate even where the Federal contribution involves only licensing services or supervision.

The 1960 Annual Report of the Secretary of the Treasury names 63 programs in which the Government makes direct payments to States under cooperative arrangements, and indicates another 32 areas involving payments to individuals within the States; enactment of H.R. 42, H.R. 2794, or H.R. 3258 would necessitate review of each item to determine possible application of the provisions for crediting service.

These proposals fall in an area which has caused successive Commissioners much concern in the past several years. They have noted the

steadily increasing and concerted effort being made to change the fundamental concept of the Government's civilian retirement system. This system was created exclusively for the retirement of Federal and District of Columbia employees. It was designed to provide retirement benefits as postemployment recognition for faithful service to the United States as an employer. The system's effectiveness as a personnel management instrument would be practically destroyed if persons were able to spend most of their careers in non-Federal employment, secure in the knowledge that later Government service of as little as 5 years would result in assumption by the Federal Government of responsibility for retirement income based on all their service.

The United States fully meets its obligations to the individual who chooses it as employer for only a part of his career. Five years of Federal civilian service vests in the worker a right to old-age retirement protection commensurate with the service performed. That an individual should wish more is a quite natural reaction. But there is no practical limit to which such proposals might extend. Employees of independent contractors constructing buildings or producing goods for the Government could as reasonably point out that their labor constitutes a service equally deserving of consideration.

In line with its consistent refusal in the past to concur in crediting non-Federal service under the Civil Service Retirement Act, the Commission firmly opposes enactment of any of the four bills here under consideration. In other words, we are opposed to any proposal which departs from the concept that retirement credit is proper only where the employer-employee relationship existed between the Government and the individual.

In 1955 the 84th Congress approved a bill substantially similar to the current H.R. 1058. Presidential veto at that time averted action to change the basic approach of the Government's retirement system. However, a breach in the system was effected in July 1960. Although the Commission offered strong adverse recommendation, Congress, over the President's veto, accorded retirement, life insurance, and health benefits coverage and credit to non-Federal employees of the Agricultural Stabilization and Conservation county committees. It is the Commission's present hope that this approach will not be carried further by favorable consideration of one of the bills now before you, or by any similar proposal.

I thank you gentlemen for this opportunity to comment on these pending bills.

Mr. JOHANSEN. Mr. Chairman, was that part of the pay bill?

Mr. MACY. That was part of the pay bill.

Mr. JOHANSEN. That is how it was passed?

Mr. MACY. In 1960, President Eisenhower, in his veto message in section 6, specifically cited this portion of the bill as objectionable.

Mr. HENDERSON. Mr. Macy, how many employees now in the Federal service would be entitled to credit for former service under one of the Federal-State cooperative programs?

Mr. MACY. Without a thorough examination of the records of past employment, it is exceedingly difficult to make any estimate on that, particularly in the bills that do not specify any particular program. These open-ended bills, as I pointed out, cover in the neighborhood of 95 State programs and we would have to check back to see if Federal

employees in the past had had service in any of those programs, to get credit.

Mr. GROSS. It would be a good many thousands?

Mr. MACY. It would be a good many thousands and perhaps as many as 100,000.

Mr. JOHANSEN. For example, in the event the Congress enacted Federal aid to education, elementary and secondary schools, would that not have a bearing on this?

Mr. MACY. Depending on the provision of such authorization, it might very well cover State employment in the school system because of Federal funds allotted. It is as broad as that.

Mr. JOHANSEN. Does State employment mean strictly employment by State government?

Mr. MACY. In some of the bills, it actually calls for coverage where it is employment by a State instrumentality.

Mr. JOHANSEN. Such as a county or a municipality?

Mr. MACY. That would be our interpretation.

Mr. OLSEN. You do not know where this ends?

Mr. JOHANSEN. There is no end.

Mr. MACY. This goes out and out. As I pointed out, there could be a logical contention presented that the large number of Government contractors, service with them should also be covered.

I think the essential point in our position, Mr. Chairman, is that we believe the Congress intended the civil service retirement system to relate to employee-employer relationship between the Government and the employee. Once we go beyond this, it is very difficult to see where you can place a logical barrier.

Mr. HENDERSON. Mr. Macy, if this legislation were restricted to those Federal employees who are now in Federal service, what would be your estimate of the coverage of this?

Mr. MACY. Do you have that figure?

Mr. RUDDOCK. I do not have any number.

Back in 1955 when we were considering S. 1041, which was a bill to give credit in six named programs in which employees of State and State instrumentalities were paid in whole or in part from funds originally Federal, we got some estimates. They were not related solely to people then employed by the Federal Government but were in contemplation of people currently employed in those programs, and who had been employed in the past. It was estimated there were approximately 18,000. On the open-ended bills which did not specify any programs but just depended on a Federal-State fund-sharing basis, it was estimated there were about 42,000 but we were in no position to state these, or any other figures, as being the number of people currently employed by the Federal Government who have had prior service in any of these programs. We just do not know.

Mr. OLSEN. You could not estimate the cost of the Government's liability here to the fund if we took these numbers in?

Mr. RUDDOCK. Not knowing the numbers, we made no attempt at all to estimate the cost. Clearly, so far as the individual is concerned, there would be Government cost involved in each case.

Mr. HENDERSON. What is your estimate of the cost per individual?

Mr. RUDDOCK. The only way I know to approach that is by giving an example for which I have to make some assumptions. If we as-

sume we are dealing with a Federal employee who has more than 10 years of Federal service, let us also assume he retires with an average salary of $6,000. Each year of this State service for which we give him credit will increase his annuity by $120 a year; $120 upon retirement, at age 62, would have a value somewhere in the neighborhood of $1,400. Under this bill he would be required to pay into the retirement fund the retirement deduction percentage that was in effect at the time he performed the service, related to the salary he received during the service, but in an individual case this would not begin to pay the cost of the benefits.

If we assume, in this same case, that his salary was $3,000 at the time he performed the service, assume that it was during the period the retirement deduction rate was 5 percent, then basically he owes the fund $150 for this period of service, plus interest cumulative to the date of retirement. Even if interest has brought the amount he owes up to $240, he is going to get back the equivalent of this payment in approximately 2 years and from then on, the Government is paying the cost of this added benefit.

Mr. MACY. I might add, Mr. Chairman, that in discussing legislation of this type, that specifies certain programs where coverage would be extended, as in the bill that calls for six specified programs, the problem there is that you set up a condition of favoring those who are in those particular programs without any rational justification for it.

If you have extended this to one group, many other groups have an equal claim for credit under this program and it is our belief we should hold the line at strictly Federal service.

Mr. OLSEN. Then it would be an added problem to determine at some future time how much the Federal Government owed the fund on top of what is already a problem?

Mr. MACY. That is right. Since employment in the States does not require a contribution by the States under this legislation.

Mr. OLSEN. Nor by the Federal Government?

Mr. MACY. The Federal Government is assuming all of the costs of what was the States' share. Some of the States have their own retirement systems, and in one instance, the State of Delaware, it is a noncontributory plan. The employee does not contribute at all. In a number of instances, the States have their employees now covered by social security. They have no State retirement plan, so you have a great variety of situations you would be dealing with.

The Federal Government, in each instance, would have to pick up the Government's share for the period of credit he accumulated.

Mr. JOHANSEN. I would say, Mr. Chairman, that the Chairman has convinced me, and I have to confess, that I probably was a party to the breach in 1960. I think I was wrong and the only consolation I have is that I did vote to sustain the veto.

I think this would be just unthinkable, to open the door on this sort of thing.

Mr. MACY. There would be no way of determining what the final extent of it would be.

Mr. HENDERSON. For the record, Mr. Macy, certainly your fear would be the broad opening where you would have to make a determination on all of these broad programs, if the legislation were re-

strictive, as it is in one of the bills, to the six programs, and you stated your objection.

Certainly the result there does have its limitations and as far as the administrative problems of the Commission are concerned, there would not be problems as great as there would be under such broad legislation that you would have to make a determination?

Mr. MACY. That is true, but it would be a further hole in the dike.

Mr. JOHANSEN. But would not the holding of that to the 6 increase the pressure for 12 or 24?

Mr. MACY. Certainly, and you would have no justification for holding it at the six because there are other programs that would have an equally valid claim.

Mr. JOHANSEN. You had better stop at one.

Mr. OLSEN. You do have one?

Mr. MACY. Yes. We have the agricultural stabilization and conservation county committee members covered in the pay bill of 1960.

Mr. RUDDOCK. If I may add, there is a difference. They are employees not of the State and not of the county, but they are employees of a farmer-elected committee.

Mr. HENDERSON. Am I correct that they are paid totally from Federal funds?

Mr. RUDDOCK. That is my understanding.

Mr. HENDERSON. And that is not necessarily true in the proposals we are considering today, where there may be a sharing of costs or salaries?

Mr. MACY. In fact, the Federal contribution can be relatively small under this proposal and still provide for coverage of the service.

Mr. OLSEN. What is the cost to the Government of covering the agricultural stabilization and conservation employees? How much has the Federal Government become obligated to the retirement fund by reason of the coverage of those employees?

Mr. RUDDOCK. We have not made any valuation specifically related to the agricultural stabilization and conservation county committees. We do know that at this time 15,684 employees of these county committees are currently under the Retirement Act. The Department of Agriculture, which first receives the applications and adds information to them before sending them to us, has received 11,940 applications from people who want to receive credit for their prior service with the county committees, but I cannot give you any estimate as to the cost.

Mr. OLSEN. Will we ultimately have a figure as to how much the Federal Government owes the fund?

Mr. RUDDOCK. As to these county committees?

Mr. OLSEN. Yes.

Mr. RUDDOCK. When we do a valuation of the fund we do it ordinarily in terms of all the contributing members of the system rather than with reference to specific groups.

Mr. HENDERSON. In view of the action of the Congress last year permitting them to pay in their portion any time prior to their retirement, it would make it almost impossible for you to determine the actual cost, would it not?

Mr. RUDDOCK. To do that we would have to make a complete survey of all Federal employement records.

Mr. JOHANSEN. If I understand the staff information correctly, last year we further liberalized the action by rescinding the requirement that these personnel pay into the fund the amount due for a prior period of service. I think that is accurate.

Mr. OLSEN. Do they not make their own contribution?

Mr. JOHANSEN. Only from the initiation of the plan.

Mr. HENDERSON. Prior to last year we had a cutoff point so that the cost could be determined but when we extended to them the right to pay in until the point of their retirement, we made it almost impossible to determine the cost.

Mr. LAWTON. Or not pay and take the deduction.

Mr. OLSEN. I would like to have an example to show people the terrific burden it puts on the fund until the Government picks up the tab for the proper contribution. I would like to have some rule of thumb to indicate the cost to the Government.

Mr. HENDERSON. It is after 11 o'clock and the House is in session. We will have to adjourn the subcommittee, subject to the call of the Chair.

Thank you very much, Mr. Macy and Mr. Ruddock and Mr. Lawton.

Mr. MACY. Perhaps we could provide you with some case examples on this that could be put in the record.

Mr. OLSEN. I would like to have them in the record.

Mr. MACY. Why do we not see if we can add that to the record. We will furnish it to Mr. Martiny.

Mr. OLSEN. Last year we were concerned with picking it up.

Mr. MACY. Indeed we were.

Mr. OLSEN. And it will become worse.

Mr. HENDERSON. Thank you, gentlemen.

(Thereupon, at 11:10 a.m., Wednesday, June 20, 1962, the subcommittee adjourned, subject to the call of the Chair.)