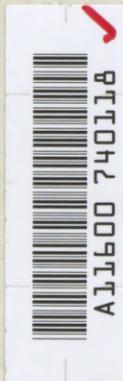
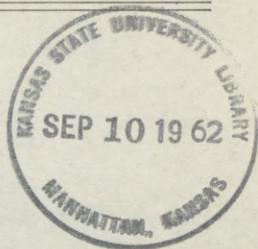


1022

8914  
P84/10  
In 7/6

# ADDITIONAL UNIT OF LIFE INSURANCE

Y 4  
. P 84/10  
In 7/6



HEARING  
BEFORE THE  
COMMITTEE ON  
OFFICE AND CIVIL SERVICE  
USE OF REPRESENTATIVES  
EIGHTY-SEVENTH CONGRESS  
SECOND SESSION  
ON

S. 1070, H.R. 5162, and similar bills

BILLS TO AMEND THE FEDERAL EMPLOYEES' GROUP LIFE  
INSURANCE ACT OF 1954, AS AMENDED, SO AS TO PROVIDE  
FOR AN ADDITIONAL UNIT OF LIFE INSURANCE

JULY 16, 1962

Printed for the use of the  
Committee on Post Office and Civil Service



AY  
01/789.  
2/P 21

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

TOM MURRAY, Tennessee, *Chairman*

JAMES H. MORRISON, Louisiana	ROBERT J. CORBETT, Pennsylvania
JAMES C. DAVIS, Georgia	H. R. GROSS, Iowa
KATHRYN E. GRANAHAH, Pennsylvania	JOEL T. BROYHILL, Virginia
THADDEUS J. DULSKI, New York	AUGUST E. JOHANSEN, Michigan
DAVID N. HENDERSON, North Carolina	GLENN CUNNINGHAM, Nebraska
ARNOLD OLSEN, Montana	GEORGE M. WALLHAUSER, New Jersey
JOSEPH P. ADDABBO, New York	ROBERT R. BARRY, New York
RICHARD H. ICHORD, Missouri	KATHARINE ST. GEORGE, New York
CATHERINE D. NORRELL, Arkansas	JOHN H. ROUSSELOT, California
MORRIS K. UDALL, Arizona	EDWARD J. DERWINSKI, Illinois
DOMINICK V. DANIELS, New Jersey	ROBERT F. ELLSWORTH, Kansas
LINDLEY BECKWORTH, Texas	
WALTER H. MOELLER, Ohio	

SUBCOMMITTEE APPOINTED TO CONSIDER S. 1070, H.R. 5162, AND SIMILAR BILLS

JAMES H. MORRISON, Louisiana, *Chairman*

MORRIS K. UDALL, Arizona	JOEL T. BROYHILL, Virginia
LINDLEY BECKWORTH, Texas	GEORGE M. WALLHAUSER, New Jersey
WALTER H. MOELLER, Ohio	ROBERT R. BARRY, New York



## CONTENTS

Statement of—	Page
Brady, John G., legislation chairman, National Association of Internal Revenue Employees.....	28
Doherty, William C., president, National Association of Letter Carriers.....	14
Gibson, Everett G., legislative director, National Federation of Post Office Motor Vehicle Employees.....	27
Jaspan, Daniel, legislative representative, National Association of Special Delivery Messengers.....	23
Langan, James, executive director, Government Employees' Council, AFL-CIO.....	26
MacKay, John, president, National Postal Union.....	15
Macy, Hon. John W., Chairman, Civil Service Commission; accompanied by Hon Federick J. Lawton, Commissioner, and Andrew E. Ruddock, Director, Bureau of Retirement and Insurance.....	3
Martin, Tommy, president, National Rural Letter Carriers' Association.....	17
McAvoy, Harold, national president, Post Office Mail Handlers, Watchmen, Messengers, Group Leaders and Employees in the Bureau of Facilities.....	28
McCart, John, legislative representative, American Federation of Government Employees.....	20
Messer, Ross, legislative representative, National Association of Post Office and General Services Maintenance Employees.....	25
O'Connor, John, legislative representative, United Federation of Postal Clerks.....	18
Smith, Ashby, G., president, National Alliance of Postal Employees.....	29
Snyder, John, president, National Association of Postmasters; accompanied by Charles Puskar, secretary-treasurrer; and Roy North, legislative representative.....	13
Steward, Luther C., Jr., representing Vaux Owen, president, National Federation of Federal Employees.....	22
Warfel, George L., president, National Association of Special Delivery Messengers.....	26

SEP 10 1952

CONTENTS

1. Introduction 1

2. The National Association of Special Education 2

3. The National Association of State Directors of Special Education 3

4. The National Association of State Directors of Pupil Personnel Services 4

5. The National Association of State Directors of Special Services 5

6. The National Association of State Directors of Special Services 6

7. The National Association of State Directors of Special Services 7

8. The National Association of State Directors of Special Services 8

9. The National Association of State Directors of Special Services 9

10. The National Association of State Directors of Special Services 10

11. The National Association of State Directors of Special Services 11

12. The National Association of State Directors of Special Services 12

13. The National Association of State Directors of Special Services 13

14. The National Association of State Directors of Special Services 14

15. The National Association of State Directors of Special Services 15

16. The National Association of State Directors of Special Services 16

17. The National Association of State Directors of Special Services 17

18. The National Association of State Directors of Special Services 18

19. The National Association of State Directors of Special Services 19

20. The National Association of State Directors of Special Services 20

21. The National Association of State Directors of Special Services 21

22. The National Association of State Directors of Special Services 22

23. The National Association of State Directors of Special Services 23

24. The National Association of State Directors of Special Services 24

25. The National Association of State Directors of Special Services 25

# ADDITIONAL UNIT OF LIFE INSURANCE

MONDAY, JULY 16, 1962

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

The subcommittee met, pursuant to notice, at 10 a.m. in room 215, House Office Building, Hon. James H. Morrison (chairman of the subcommittee) presiding.

Mr. MORRISON. The subcommittee will come to order.

I might say at the outset that several of the members of the subcommittee have called me and explained that they had bills and other matters before other committees which would prevent their being here when the hearing started. They anticipated they would be here a little later.

As all of us know, so far as this session is concerned, it is getting a little late and as that situation comes about, Congressmen have more and more calls, very important matters affecting them and their districts, and for that reason it makes it impossible for them to be here.

We shall have these hearings printed as soon as possible, and each and every member of the subcommittee will have a chance to see the testimony he was not able to hear.

(S. 1070 and H.R. 5162 follow:)

[S. 1070, 87th Cong., 1st sess.]

AN ACT To amend the Federal Employees' Group Life Insurance Act of 1954, as amended, so as to provide for an additional unit of life insurance

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) subsection (a) of section 3 of the Federal Employees' Group Life Insurance Act of 1954, as amended, is amended by inserting "(1)" after the subsection designation and by adding at the end of such subsection the following new paragraph:

"(2) In addition to the insurance referred to in paragraph (1) each employee insured under this Act shall have additional group life insurance only as follows:

	The amount of additional group life insurance shall be—
"If the annual compensation is—	
Less than \$10,000.....	\$1,000
\$10,000 or more.....	2,000."

(b) Subsection (b) of such section is amended by striking out "(a)" wherever it appears in such subsection and inserting in lieu thereof "(a) (1)".

SEC. 2. (a) Sections 4, 5(a), 6(b), and 6(c) of such Act are amended by inserting after the words "life insurance" and life and accidental death and dismemberment insurance" where they appear in such sections the following: "(including additional group life insurance)".

(b) Section 6(b) of such Act is further amended by inserting after the words "such insurance" where they appear in the first sentence thereof a comma and the following: "other than additional group life insurance."

SEC. 3. (a) Section 2(a) of such Act is amended by inserting before the period at the end thereof a comma and the following: "or solely because he was previously retired on annuity from Government civilian employment".

(b) Section 6(b) of such Act is amended by adding at the end thereof the following: "The life insurance of an insured retired employee who is reemployed under conditions which do not terminate his title to annuity shall cease if he again becomes insured as an employee, except that the amount of life insurance which shall be paid after his death shall in no case be less than the amount which would have been paid if he had not been reemployed."

SEC. 4. (a) The amendments made by the first section and section 2 shall take effect as of the first day of the first pay period which begins in the second month after the date of enactment and shall not be applicable in any case in which the employee's death or retirement occurred prior to such day.

(b) The amendments made by section 3 shall take effect as of the first day of the first pay period which begins after the date of enactment and shall be applicable in any case in which reemployment commences on or after such day or in which reemployment commenced and has not terminated prior to such date.

Passed the Senate July 17, 1961.

Attest:

FELTON M. JOHNSTON,

Secretary.

[H.R. 5162, 87th Cong., 1st sess.]

A BILL To amend the Federal Employees' Group Life Insurance Act of 1954, as amended, so as to provide for an additional unit of life insurance

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3(a) of the Federal Employees' Group Life Insurance Act of 1954, as amended, is amended to read as follows:

"SEC. 3. (a) Each employee to whom this Act applies shall be eligible to be insured for an amount of group life insurance, additional group life insurance, and group accidental death and dismemberment insurance, determined in accordance with the following schedule:

"If annual compensation is—		The amount of group life insurance shall be—	The amount of additional group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
"Greater than—	But not greater than—			
0	\$1,000	\$1,000	\$1,000	\$1,000
"\$1,000	2,000	2,000	1,000	2,000
2,000	3,000	3,000	1,000	3,000
3,000	4,000	4,000	1,000	4,000
4,000	5,000	5,000	1,000	5,000
5,000	6,000	6,000	2,000	6,000
6,000	7,000	7,000	2,000	7,000
7,000	8,000	8,000	2,000	8,000
8,000	9,000	9,000	2,000	9,000
9,000	10,000	10,000	2,000	10,000
10,000	11,000	11,000	3,000	11,000
11,000	12,000	12,000	3,000	12,000
12,000	13,000	13,000	3,000	13,000
13,000	14,000	14,000	3,000	14,000
14,000	15,000	15,000	3,000	15,000
15,000	16,000	16,000	4,000	16,000
16,000	17,000	17,000	4,000	17,000
17,000	18,000	18,000	4,000	18,000
18,000	19,000	19,000	4,000	19,000
19,000	20,000	20,000	4,000	20,000
20,000	-----	20,000	5,000	20,000".

SEC. 2. (a) Sections 4, 5(a), 6(b), and 6(c) of such Act are amended by inserting after the words "life insurance" where they appear in such sections the following: "(including additional group life insurance)".

(b) Section 6(b) of such Act is further amended by inserting after the words "such insurance" where they appear in the first sentence thereof a comma and the following: "other than additional group life insurance."

SEC. 3. The amendments made by this Act shall take effect as of the first day of the first pay period which begins after the date of enactment and shall not be applicable in any case in which the employees death or retirement occurred prior to such day.

Mr. MORRISON. This subcommittee was appointed to consider the Senate-passed bill S. 1070; H.R. 978, sponsored by Mr. Huddleston; H.R. 3656, sponsored by Mr. Fulton; H.R. 5620, sponsored by Mr. Dulski, a member of our Committee on Post Office and Civil Service; and two bills which I sponsored, H.R. 3060 and H.R. 5162.

These bills would provide for an additional unit of life insurance to be purchased by Federal employees under the Federal Employees Group Life Insurance Act of 1954. Some of the bills, such as H.R. 3060, would require the full premiums to be paid by the employees. Other bills, such as H.R. 5162, would permit the premiums for the purchase of the additional unit to be on the same matching basis as now prescribed by the 1954 act, two-thirds by the employee and one-third by the Government.

H.R. 5162 would grant additional amounts of group life insurance under a schedule relating these additional amounts of salary, ranging from an additional \$1,000 of insurance for salaries of less than \$5,000 to an additional \$5,000 of insurance for salaries of more than \$20,000. These additional amounts of insurance would not be subject to reduction at retirement or at age 65, as are the regular amounts of insurance which are carried at retirement.

S. 1070 would grant additional amounts of group life insurance, \$1,000 additional for employees with salaries of less than \$10,000, and \$2,000 additional for employees with salaries of \$10,000 or over. These additional units would not be subject to reduction at retirement or at age 65. This bill would also provide that those retirees who are reemployed and retain title to their annuities may be insured as active employees. In such cases any free insurance held by a retiree would be suspended upon reemployment, and, upon subsequent separation, the free insurance would either be restored or appropriately increased if the annuity is recomputed.

We have one of our very distinguished and favorite witnesses who has honored us with his presence on so many occasions recently. We are delighted to welcome once again the Honorable John W. Macy, Jr., Chairman of the Civil Service Commission, accompanied by the Honorable Frederick J. Lawton, Commissioner, and Mr. Andrew E. Rudock, Director, Bureau of Retirement and Insurance.

#### STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN, CIVIL SERVICE COMMISSION

Mr. MACY. Thank you, Mr. Chairman. It is a pleasure to appear before you again.

In line with your request I will file my formal statement and merely give you the highlights of the Commission's position with respect to the two principal bills, your bill, H.R. 5162, and the Senate-passed bill, S. 1070.

Mr. MORRISON. Without objection that statement will be inserted in the record.

(The statement follows:)

PREPARED STATEMENT OF JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE  
COMMISSION

Mr. Chairman and members of the subcommittee, it is a pleasure to testify for the Civil Service Commission on H.R. 5162, introduced by Chairman Morrison, and S. 1070, originally a companion bill, but amended as passed by the Senate.

The Commission's reports to the chairman of the full committee, dated April 25, 1961, on H.R. 5162, and July 9, 1962, on S. 1070, set forth our official position on these legislative proposals. Our report on H.R. 5162 suggests various technical amendments, should the bill be considered. While I shall not repeat all the suggested changes, I do wish to stress that section 3 of that bill sets an unrealistic effective date. An administratively feasible effective date would be the first day of the first pay period beginning in the second month, rather than the first pay period after date of enactment.

To complete the record I suggest our formal reports be incorporated in the subcommittee's proceedings.

The Federal Employees' Group Life Insurance Act, in effect since August 29, 1954, is widely regarded as one of the most effective and liberal of the major fringe benefit programs available to Federal employees. Under it, covered employees now have group life insurance (plus an equal amount of accidental death and dismemberment insurance) approximating annual basic salary at all times, up to a maximum of \$20,000. Employees pay for their coverage at a rate the Commission determines, which by law cannot exceed 25 cents biweekly for each \$1,000 of life insurance. The Government contributes, from agency appropriations, at a Commission-determined rate which by law may not exceed half the employee's payment. The Commission has prescribed 25 cents and 12½ cents, the statutory maximum, as the existing contribution rates for each \$1,000 of life insurance.

These contributions cease when an employee separates, but if he retires on an immediate annuity either for disability or after 12 years' Federal service, his life insurance, without accidental death and dismemberment protection, may be carried into retirement free. While coverage after retirement operates without further contribution by the retiree or the Government, the face amount of life insurance held at retirement is subject to a reduction of 2 percent a month starting after retirement or after the retiree attains age 65, whichever is later. The 2 percent monthly reduction stops after a maximum of 75 percent has been applied, that is, when the insurance has reached 25 percent of the amount in force when the employee retired.

The total amount of life insurance in force under the present program is \$15 billion. Agency contributions, at the rate of 12½ cents biweekly per \$1,000 of life insurance, total \$45,500,000 a year. The estimated total level cost of the present program is 43 cents biweekly per \$1,000 of insurance. (These figures, and others which I will present, are included in a table attached to this statement for your convenient reference.)

Each of the bills under consideration proposes to provide employees with additional units of life insurance. These units would not increase the amount of accidental death and dismemberment protection. They would not be subject to reduction after retirement. The estimated level cost of the proposed unreducing units of life insurance is 68 cents biweekly per \$1,000, which exceeds by 25 cents the level cost of the present program.

The bills differ as to added units provided. H.R. 5162 would add unreducing units on a sliding scale basis in amounts varying from \$1,000 for employees with annual salaries of \$5,000 or less, up to \$5,000 additional insurance for those with salaries larger than \$20,000. The bill would increase the total amount of in-

insurance in force by \$3½ billion, and would add \$10.8 million to the premium contributed by the Government each year. The level cost of the program as amended by H.R. 5162 is estimated at 48 cents biweekly per \$1,000 of life insurance.

S. 1070 would add unreducing units of \$1,000 for employees with annual salaries under \$10,000, and \$2,000 for those with annual salaries of \$10,000 and over. The bill would increase the total amount of insurance in force by \$2.2 billion and would add \$7.2 million to the premium contributed by the Government each year. The level cost of the program as S. 1070 would amend it is estimated at 46 cents biweekly per \$1,000 of life insurance.

The costs stated in connection with each of the bills are expressed as amounts payable only during active service of employees; after retirement neither the retiree nor the Government contributes toward the cost of the insurance.

In the light of these facts and its study of the proposals, the Commission, although recognizing the objectives of the legislation, is obliged to oppose this additional insurance idea for several reasons.

The added insurance under either bill would tend to change the basic nature of the Federal group life insurance program. The program was conceived and supported as a supplement to, rather than a substitute for, private insurance programs of employees. The present liberal program is in our opinion adequate for its intended supplementary purpose. We see no reason for modifying it so as to minimize the need for private programs.

Experience under the program indicates that existing employee and agency contribution rates may not continue indefinitely to support even the present level of benefits. Because of the many variables inherent in long-range estimates, the Commission does not at this time recommend any increase in the present premium rates, but we do feel obligated to raise a caution signal against large-scale liberalization unaccompanied by adequate financing provisions. It is our opinion that the Commission should be given authority to increase premiums if the need arises.

Finally, there is the question of sound liberalization. Liberalization of any employee benefit program is sound only if it is of mutual benefit to employer and employee. This proposal lacks this basic mutual benefit element. No benefit would accrue to the Government as employer to justify the increased agency contributions of \$10.8 or \$7.2 million annually that enactment of one of these bills would require.

I would like to comment now on the item other than additional insurance proposed by S. 1070.

This item proposes to extend eligibility for insurance coverage to certain retired employees. Employees who are reemployed retirees retaining title to their annuities are excluded from insurance coverage as a class by operation of Commission regulation. Most of the class serve for relatively brief periods and are rightly excluded. However, some serve for many years and are proper subjects for insurance coverage as active employees. The problem of covering these has been the subject of extensive study by the Commission but we find it cannot be solved by administrative action.

This second feature of S. 1070 proposes a workable plan for insuring any such retiree under appointment for regular nontemporary service. The plan suspends any free insurance held as a retiree and permits active employee coverage (life insurance plus accidental death and dismemberment protection) in relation to full salary of the reemployment position. If the retiree dies, either during or after reemployment, the life insurance payable could never be less than that which would have been paid if not reemployed.

The Commission favors enactment of this item. It is an appropriate and constructive extension of coverage. Its cost will be relatively small.

I thank you gentlemen for this opportunity to comment on these bills.

*Federal Employees' Group Life Insurance Act comparison of present law with proposals for change*

Item	Present law	H.R. 5162	S. 1070
Amount of insurance while employed.	Equal to annual salary rounded to next higher \$1,000. Maximum \$20,000.	Same as present law, plus additional \$1,000 and \$1,000 for each full \$5,000 of present amount. Maximum \$25,000.	Same as present law, plus additional \$1,000 for each full \$10,000 of present insurance. Maximum \$22,000.
Examples: Present salary:	Insurance:	Insurance:	Insurance:
\$800-----	\$1,000-----	\$1,000+\$1,000=\$2,000--	\$1,000+\$1,000=\$2,000.
\$5,400-----	\$6,000-----	\$6,000+\$2,000=\$8,000--	\$6,000+\$1,000=\$7,000.
\$22,500-----	\$20,000-----	\$20,000+\$5,000=\$25,000	\$20,000+\$2,000=\$22,000
Ultimate amount of insurance after retirement.	25 percent of amount at retirement.	Same as present law, plus additional amount unreduced.	Same as present law, plus additional amount unreduced.
Examples: Salary:	Insurance:	Insurance:	Insurance:
\$800-----	\$250-----	\$250+\$1,000=\$1,250---	\$250+\$1,000=\$1,250.
\$5,400-----	\$1,500-----	\$1,500+\$2,000=\$3,500--	\$1,500+\$1,000=\$2,500.
\$22,500-----	\$5,000-----	\$5,000+\$5,000=\$10,000--	\$5,000+\$2,000=\$7,000.
Total amount of life insurance in force.	\$15 billion-----	\$18.3 billion. Added \$3.3 billion unreducing after retirement.	\$17.2 billion. Added \$2.2 billion unreducing after retirement.
Estimated level premium cost—total program.	43 cents per \$1,000 bi-weekly.	48 cents per \$1,000 bi-weekly.	46 cents per \$1,000 bi-weekly.
		Estimated level cost, additional unreducing insurance only: 68 cents per \$1,000 biweekly	
Government share of premium.	\$45.5 million annually (½ employee share).	\$56.3 million annually (½ employee share).	\$52.7 million annually (½ employee share).

Mr. MORRISON. You may proceed, Mr. Chairman.

Mr. MACY. Thank you, Mr. Chairman.

On the bills which are before you, the Commission has submitted official reports; on H.R. 5162, a report dated April 25, 1961, submitted to the chairman of the full committee, and on S. 1070, a report dated July 9, 1962.

It may be your wish to include those reports in the record of these proceedings.

Mr. MORRISON. Without objection, let them be filed.

(The reports referred to follow:)

U.S. CIVIL SERVICE COMMISSION,  
Washington, D.C., April 25, 1961.

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

DEAR MR. MURRAY: This refers further to your March 7, 1961, request for Commission report on H.R. 5162, a bill to amend the Federal Employees' Group Life Insurance Act of 1954, as amended, so as provide for an additional unit of life insurance.

The Federal Employees' Group Life Insurance Act of 1954, as amended, applies to all employees of the U.S. and District of Columbia Governments, except those excluded (1) by the act itself or (2) by regulation because of their temporary, intermittent, or similar employment tenure. All employees not so excluded are insured automatically as an incident of service unless they affirmatively (in writing) waive insurance coverage.

Each covered employee is insured for an amount of group life insurance approximating his annual basic salary, subject to a limitation of \$20,000 in any case. The employee with basic salary of \$6,000.01 to \$7,000 is insured for \$7,000, for \$12,000 if the salary is from \$11,000.01 to \$12,000, etc. An amount of accidental death and dismemberment insurance equal to the life insurance figure attaches in each case.

For this group life insurance and accidental death and dismemberment insurance, the law provides that the employee shall pay at a rate to be determined by the Civil Service Commission, but not in excess of a rate of 25 cents biweekly for each \$1,000 of his group life insurance; it further stipulates that the Government shall contribute at a rate, also determined by the Commission, not to exceed one-half the employee's payment. The Commission has prescribed 25 cents and 12½ cents, respectively, as the existing contribution rates for each \$1,000 of group life insurance.

Provision is made for retention of the group life insurance (not accidental death and dismemberment) if the employee retires on immediate annuity for disability or after 12 years' creditable service. This coverage after retirement operates without further contribution by either the employee or the Government. Should such individual retire at or after age 65, the amount of group life insurance he has at that point is reduced, effective at the beginning of the second calendar month after the one in which he retires, by 2 percent each month thereafter until the insurance reaches 25 percent of such amount. Should the retirement occur before the employee attains age 65, the full group life insurance coverage continues (without contribution) until the beginning of the second month after the one in which he becomes 65, at which point the 2 percent reductions operate until the 25 percent floor is reached.

H.R. 5162 proposes granting employees an additional amount of group life insurance (not accidental death and dismemberment) under a stipulated schedule. Employees who would be insured for \$1,000, \$2,000, \$3,000, \$4,000, or \$5,000 under existing provisions would have an additional \$1,000 unit; from \$6,000 through \$10,000, \$2,000 would be added; \$3,000 additional would attach to \$11,000 through \$15,000 cases, \$4,000 in \$16,000 through \$20,000 (salaries \$20,000 or less), and \$5,000 to the \$20,000 insurance of employees whose salaries exceed \$20,000. These additional unit amounts would not be reduced after retirement but would continue in full until death.

Certain technical corrections in the bill are necessary. The word "to" should be inserted between "as" and "provide" in the title, while "employees" in line 14, page 2, should read "employee's". To make it fully effective as regards amending section 5(a) of the Insurance Act, section 2(a) of the bill should be amended to read (new material italicized for ready reference)—

"Sections 4, 5(a), 6(b), and 6(c) of such act are amended by inserting after the words 'life insurance' and '*life and accidental death and dismemberment insurance*' where they appear in such sections the following: '(including additional group life insurance)'."

Section 3 of the bill establishes an unrealistic effective date—the beginning of the pay period immediately following enactment. This would not allow sufficient time to effect necessary amendment in the group policy, inform all agency installations throughout the world respecting the added coverage and withholdings, make information available to employees (some may wish to waive all group life insurance coverage rather than accept the added coverage), etc. An administratively feasible effective date would be the first day of the first pay period which begins in the second month after enactment.

The bill would increase the amount of life insurance in force under the program by about \$3½ billion. Agency contributions, at the rate of 12½ cents biweekly per \$1,000 of life insurance would be increased by about \$10.8 million per year.

We estimate that the level cost of the unreducing units of insurance proposed by H.R. 5162 would be 68 cents biweekly per \$1,000 of insurance. The level cost of the present program is estimated at 43 cents biweekly per \$1,000 of life insurance. If H.R. 5162 were enacted, the level cost of the amended program—averaging both regular and additional units—is estimated at 48 cents biweekly per \$1,000 of life insurance. These costs are expressed as amounts payable only during active service.

The Commission recommends strongly that adverse action be taken on the bill, H.R. 5162, for the following reasons:

1. Experience indicates that employee deductions and employer contributions at present rates may not continue to support the present level of benefits indefinitely. H.R. 5162 proposes additional and expensive benefits without adequate provisions for financing their cost.

2. The Federal Employees' Group Life Insurance Act was conceived and supported as a supplement to rather than a substitute for the private insurance programs of employees. The present liberal program is considered adequate for its

intended purpose and no reason is apparent why it should be modified to minimize the need for private programs.

3. There is no benefit to the Government as an employer to justify the expenditure of an additional \$10.8 million a year which enactment of the bill would require.

In summary, the Commission is opposed to enactment of H.R. 5162 because the additional insurance it proposes is unnecessary, is inadequately financed, and requires an additional expenditure of public funds without any corresponding benefit to the Government or the public.

In connection with identical bill, S. 1070, the Bureau of the Budget advised 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,

(Signed) JOHN W. MACY, JR., *Chairman.*

U.S. CIVIL SERVICE COMMISSION,  
Washington, D.C., July 9, 1962.

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

DEAR MR. CHAIRMAN: This refers further to your request of July 21, 1961, for Commission report on S. 1070, a bill to amend the Federal Employees' Group Life Insurance Act of 1954, as amended, so as to provide for an additional unit of life insurance.

S. 1070 proposes amendments to the Insurance Act under which (1) covered employees would be provided additional units of life insurance not subject to reduction when carried into retirement, and (2) retirees retaining annuity title during Government reemployment could be insured as active employees. Each proposal is explained in detail below.

#### ADDITIONAL LIFE INSURANCE UNITS

Under existing law, each covered employee has group life insurance (plus an equal amount of accidental death and dismemberment insurance) approximating annual basic salary at all times, subject to a maximum of \$20,000. The employee with basic salary of \$6,000.01 to \$7,000 is insured for \$7,000, for \$12,000 if the salary is from \$11,000.01 to \$12,000, etc.

The law requires that the employee pay for this group life and accidental death and dismemberment insurance at a rate determined by the Civil Service Commission, such rate not to exceed 25 cents biweekly for each \$1,000 of group life insurance; it further stipulates that the Government contribute at a Commission-determined rate, which may not exceed one-half the employee's payment. The Commission has prescribed 25 cents and 12½ cents, respectively, as the existing biweekly contribution rates for each \$1,000 of group life insurance.

Provision is made for retention of group life insurance (but not accidental death and dismemberment protection) after separation from the service if the employee retires on immediate annuity after at least 12 years' creditable service or on account of disability. Coverage after retirement operates without further contribution by either the employee or the Government, but the face amount of life insurance held at separation date is subject to a reduction of 2 percent a month starting after retirement or the retiree's attainment of age 65, whichever is later, until a maximum reduction of 75 percent has been applied, that is, until the insurance reaches 25 percent of the basic amount.

S. 1070 would grant all insured employees additional units of life insurance—\$1,000 additional for those with salaries under \$10,000, and \$2,000 additional for those with salaries of \$10,000 or more—from and after the first pay period beginning in the second month after the bill's enactment. This additional insurance would attach automatically (unless all insurance were waived) and be paid for at employee and Government rates applicable to present life insurance; however, it would not increase an employee's amount of accidental death and dismemberment insurance nor would it be reduced after retirement.

This feature of S. 1070 would increase the amount of life insurance in force under the program by about \$2.2 billion. Government contributions, at the rate of 12½ cents biweekly per \$1,000 of life insurance would be increased

by about \$7.2 million per year. We estimate that the level cost of the un-reducing units of life insurance proposed would be 68 cents biweekly per \$1,000. The level cost of the present program is estimated at 43 cents biweekly per \$1,000 of insurance. If this feature of S. 1070 were enacted, the level cost of the amended program, averaging both regular and additional units, is estimated at 46 cents biweekly per \$1,000 of life insurance. These costs are expressed as amounts payable only during active service.

#### COVERAGE FOR REEMPLOYED RETIREES

The Civil Service Commission is authorized by section 2(a) of the Insurance Act to exclude employees from coverage "on the basis of the nature and type of employment or conditions pertaining thereto such as, but not limited to, short term appointments, seasonal or intermittent employment, part-time employment, and employment of like nature." Under this authority the Commission has, by regulation in effect since the group program began in 1954, excluded from coverage (with one exception not here material) "retired employees reemployed under conditions not terminating their title to annuities."

For insurance purposes, retirees fall into two broad classifications upon re-employment in the Government; those who lose title to annuity when reemployed, and those who retain their annuity title (usually with annuity suspended or salary reduced by the amount of annuity) while reemployed. Retirees who lose annuity title upon reemployment are treated for insurance purposes the same as new employees and present no problem requiring amendatory legislation.

S. 1070 deals with retirees who retain annuity title while reemployed and are excluded from insurance coverage by Commission regulation. Although most of these reemployed retirees serve for relatively brief periods, and are thus rightly excluded as are other temporary employees, some do work for substantial periods and are proper subjects for insurance coverage as active employees. Because some carried free insurance into retirement and others did not, however, the problem of extending insurance coverage to proper members of the class cannot be adequately solved by administrative action. The Commission has authority to exclude on the basis of conditions of employment, but could not distinguish between insured and uninsured retirees. Further, since insurance approximates current annual basic salary, recognition of a larger amount previously carried into retirement would not be possible.

S. 1070 incorporates the amendment needed to insure this type of individual. Effective the first pay period beginning after its enactment, the amendment would extend to the reemployed retiree (already serving or thereafter hired under an appointment for regular nontemporary service) insurance under the following conditions:

1. Any free life insurance held as a retiree would be suspended.
2. He would have group life insurance (plus accidental death and dismemberment insurance) in relation to the gross annual basic salary of his reemployment position, for which he and his agency would pay at the regular rates.
3. If, after separation, his reemployment service forms the basis for increased annuity, he would be considered as again retiring and (if qualified) retain life insurance without further cost.
4. In the event of death, either during or after separation from reemployment, the amount of life insurance payable could never be less than the amount which would have been paid had he not been reemployed.
5. If, after separation, his reemployment service does not form the basis for increased annuity, any suspended free life insurance previously held as a retiree would be reinstated. If not previously insured as a retiree, his group insurance would cease upon separation, subject to a 31-day extension of life insurance during which time he could convert (without medical examination) all or any part of it to commercial policy of life insurance at standard premium rate.
6. The conversion privilege would be available at separation from reemployment, so that the individual entitled to free insurance could forgo it and convert to commercial policy if he considered such action to his advantage.

We are unable to furnish a cost estimate for this feature of the bill, as we do not know the number of reemployed annuitants or their present insurance status. Since the insurance program has been in effect more than 7 years, it seems reasonable to assume that the great majority are already insured. Added benefit cost could result from increasing the present amount of insurance because of a higher salary, full or partial elimination of past reductions, and the

acquisition of the proposed unreducing additional insurance. Employee deductions and agency contributions during reemployment would partially offset this added cost, which in the aggregate should be relatively small.

The Commission recommends that adverse action be taken on S. 1070 in its present form. While we favor enactment of the constructive proposal to extend insurance coverage to the cited reemployed retirees, we cannot concur in the remaining feature of the bill. We are strongly opposed to the additional insurance idea for the following reasons:

1. The Federal group life insurance program was conceived and supported as a supplement to, rather than a substitute for, private insurance programs of employees. The present liberal program is considered adequate for its intended purpose; no reason is apparent for modifying it so as to minimize the need for private programs.

2. Experience under the group insurance program indicates that existing employee and agency contribution rates may not continue to support the present level of benefits indefinitely.

3. No benefit would accrue to the Government as employer to justify even the current additional agency contributions of \$7.2 million a year which this enactment would require. This \$7.2 million, plus the \$14.4 million which the employees would contribute annually, still leaves unfinanced an estimated \$17.3 million (approximately 45 percent) of the annual cost of the additional insurance units.

The Commission therefore urges amendment of S. 1070 by deleting sections 1, 2, and 4(a) thereof. If so amended, the Commission favors its enactment into law.

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,

(Signed) JOHN W. MACY, JR., *Chairman.*

Mr. MACY. The legislation that is under consideration in both of these bills is a very important part of the total fringe benefit program of the Federal Government. It is the Federal Employees Group Life Insurance Act passed by Congress and put into effect August 29, 1954.

This program now covers 2,100,000 active employees, and approximately 240,000 retired employees. It is an extremely important program which provides economic security for the survivors of Federal employees.

The purpose of both of these bills can perhaps be best explained, Mr. Chairman, if we take the table which is attached to the final sheet of this statement which compares the various provisions of the existing act and the proposed amendments called for in each of these bills.

At the present time, under the existing law, the amount of insurance which is provided to an employee while he is employed is equal to the annual salary rounded to the next 1,000, with a maximum of \$20,000.

Under H.R. 5162 the law would be liberalized to provide an additional \$1,000, and \$1,000 for each full \$5,000, up to a maximum of \$25,000.

S. 1070 also provides additional insurance, but on a different scale—where there is an additional \$1,000 for each full \$10,000 of present insurance and for a maximum of \$22,000.

This can be illustrated in the form that is shown on the table for different salaries following the prepared statement. I shall not take your time to go into that. I think that this very specifically illustrates the further holding of insurance which would be possible under both of these amendments. (See p. 6.)

The ultimate amount of insurance, after retirement, is an important feature because in both of these bills there is provision that the increased insurance authorized by the amendment would be unreducing after retirement.

At the present time the insurance which is held under the program reduces at a rate of 2 percent a month from the time of retirement, or age 65, whichever is later, down to a minimum of 25 percent of the face of the policy.

In both of these bills the additional insurance would not be reduced, so that if the individual had a salary of \$5,400 as indicated in the example in the middle of the table, he would continue to carry the \$1,500, and it would reduce after retirement, but the additional \$2,000 under H.R. 5162 would be retained at that amount during retirement.

Under S. 1070 the same employee would have \$1,000 which would not be reduced.

The next line illustrates the amount of life insurance now in force. It gives some indication of the magnitude of this program.

There are \$15 billion of insurance in force under the present law. If H.R. 5162 were adopted there would be an added \$3.3 billion unreducing after retirement, for a total amount in force of \$18.3 billion.

Under S. 1070 there would be \$2.2 billion unreducing after retirement for a total life insurance in force of \$17.2 billion.

The estimated level of premium cost for the total program under the present law is 43 cents per \$1,000 biweekly.

It is estimated by the Commission that under H.R. 5162 this would go up 5 cents to 48 cents, and under S. 1070 up 3 cents to 46 cents biweekly.

It is important to note the sentence directly below, and that is that the "Estimated level cost of the additional unreducing insurance only: 68 cents per \$1,000 biweekly."

Under the present program the Government share of the premium by law is one-half of the employee's share, or 12½ cents per \$1,000 of insurance biweekly.

The amount of the Government's contribution under the present law is \$45.5 million.

Under H.R. 5162 it would be \$56.3 million annually and under S. 1070 it would be \$52.7 million annually.

I believe, Mr. Chairman, this indicates the contrast between the two bills which are proposed and their relationship to the present law.

The Civil Service Commission has given a great deal of study to these proposals during the past year, and as a result of that study takes a position that the additional liberalization is not desirable. We cite three reasons for taking that position.

First, we feel that the added insurance under either bill would tend to change the basic nature of the program. The program was originally planned to serve as supplementary insurance to whatever private plan the employee had, and it is our belief that the present program, which is liberal in scope, is adequate in fulfilling the purpose of the original statute without additional liberalization.

Second, experience under the program shows that the existing contribution from the employee, 25 cents per \$1,000 biweekly, and from the Government, 12½ cents per \$1,000 biweekly, may not con-

tinue indefinitely to support the present level of benefits in the program. We don't have a firm view on this because we will be conducting an evaluation of the program starting next June 30, at which time we will have more precise information. In view of the fact that the present program may not be covered by the contributions which are currently being made, any further liberalization is brought into question without the prospect of further financing.

Third, and this is a program point, it is our view that in terms of the objectives of a personnel program, any additional employee benefit should be mutually beneficial to both the employer and the employee. In our judgment, this is clearly a benefit to the employee but we are unable to see where the investment of additional Federal funds, either to the point of \$10.8 million under H.R. 5162 or \$7.2 million under S. 1070, warranted as a benefit to the Government as employer. The return in that magnitude to the Government is not apparent in the bill.

There is a feature of S. 1070 which we do consider to be desirable. This is a provision which, in effect, corrects an inequity which exists at the present time. This is extending eligibility for insurance coverage to certain retired employees who have been reemployed.

Under the Federal program there are certain retired employees who are reemployed on a nontemporary basis.

It is our view that insurance coverage should be made available to such employees in the same form as for active employees.

Under section 3 of S. 1070 there is a provision which would correct that inequity and make it possible for these employees to go off of the so-called free insurance program of retired employees, return to the active program upon reemployment, and then if they retired subsequently, or if there was death while they were serving, the benefits to the beneficiary would be not less than that earned during previous employment.

We would favor the enactment of that particular provision in order to correct an existing inequity which we are unable to correct by administrative action.

Those are the principal points of my statement. I probably talked longer than if I had it, but these are the high points and Commissioner Lawton, Mr. Ruddock, and I will be very happy to answer any questions that you or the staff might wish to ask us.

Mr. MORRISON. If there are no questions the subcommittee certainly wants to express its appreciation for your very excellent presentation and I also want to express our appreciation to Commissioner Lawton and Mr. Ruddock for appearing here today with you and giving us the benefit of your very excellent and sincere views on this matter.

Again I wish to take this opportunity to thank you for your appearance.

Mr. MACY. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness will be Mr. John Snyder, president of the National Association of Postmasters, accompanied by Mr. Charles Puskar, secretary-treasurer, and Mr. Roy North, legislative representative.

It is always a privilege and a pleasure to have you before our committee.

We appreciate your traveling all this distance to appear here today.

**STATEMENT OF JOHN P. SNYDER, PRESIDENT, NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES**

Mr. SNYDER. Mr. Chairman and members of the committee, my name is John P. Snyder, postmaster at Oconomowoc, Wis., and I am president of the National Association of Postmasters of the United States. I am accompanied by our executive secretary-treasurer, Charles E. Puskar, postmaster at Imperial, Pa., who is also chairman of our legislative committee, and Mr. Roy M. North, former postmaster of Washington, D.C., who is our legislative representative.

We thank you, Mr. Chairman, and the other members of this committee, in behalf of our membership, representing over 95 percent of the postmasters of the Nation, for the opportunity you are affording us today to testify in behalf of liberalization of the Federal Employees Group Life Insurance Act of 1954. We are grateful to you for introducing this important legislation that will eventually benefit every Government official and employee.

The Federal Employees Group Life Insurance Act of 1954 was progressive legislation that provided all Federal employees with group life insurance at a rate which they could afford, and comparable to group life insurance plans in effect at that time in private industry. It is a fringe benefit for which all Federal employees are grateful. However, one of the glaring deficiencies in the act is the depreciation of the insurance at the rate of 2 percent a month, beginning at the age of 65 or on the day of retirement, whichever is later, until a floor of 25 percent of the original principal is reached.

Postmasters in fourth-class offices and those in the lower levels of the postal field service schedule, under the present law, within approximately 3 years after retirement have their insurance principal reduced to \$1,000 or less. Many Federal employees within that category could not afford to purchase additional private insurance and their Federal insurance, after depreciation, is not even sufficient to cover terminal and burial expenses in many instances.

It was our pleasure to endorse S. 1070 last year before the Senate Post Office and Civil Service Committee, and we are grateful to the Senate for having passed that bill on July 17, 1961. That legislation would provide an additional death benefit of \$1,000 to those whose annual compensation is less than \$10,000, and it would provide additional insurance in the amount of \$2,000 for those whose annual compensation is more than \$10,000, without reduction after retirement.

Mr. Chairman, over the years you have demonstrated your dedication to the improvement of the postal service and your humanitarian approach to the welfare of all Federal personnel. We are grateful to you for introducing H.R. 5162, a more liberal amendment to the Federal Employees Group Life Insurance Act, and we heartily agree that the benefits provided by that legislation would be ideal. However, in view of opposition by the administration to that legislation, we feel that S. 1070 is the more practical approach at this time and a step in the right direction. Therefore, Mr. Chairman, we voice our approval of S. 1070 and ask for the favorable consideration of your committee.



Mr. Chairman and members of the committee, again many thanks for your kindness in permitting us to represent the postmasters of the Nation on this important legislation.

Mr. MORRISON. Thank you very kindly, Mr. Snyder, and Mr. Puskar, and Mr. North. I appreciate your appearing before our subcommittee here today.

The next witness will be the very able and distinguished president of the National Association of Letter Carriers, Mr. William C. Doherty.

**STATEMENT OF WILLIAM C. DOHERTY, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS**

Mr. DOHERTY. Thank you, Mr. Chairman.

Mr. Chairman, my name is William C. Doherty. I am president of the National Association of Letter Carriers, which, as you know, and other Members of the Congress know, is the oldest and largest of all Federal postal employee organizations.

I appear here this morning for the express purpose of placing our organization on record as supporting S. 1070. In doing so I want to make the record crystal clear by saying that we in the National Association of Letter Carriers deeply appreciate the fact that you, Mr. Chairman, introduced H.R. 5162 and we are eternally grateful for your deep and abiding interest in the affairs of all Federal employees, including those in the postal service.

Mr. Chairman, I ask permission to submit my prepared statement for the record and then make myself available for any possible interrogation which may come. Our organization is wholeheartedly supporting S. 1070, but I am filing my statement rather than reading it, primarily because of the fact that it is late in this session of Congress, and if there is to be any legislation at all, there is need for expediting these hearings.

If I may, sir, I might serve as a sort of bellwether here by asking that my statement be filed, and that you place our organization on record as giving our wholehearted and unswerving support to S. 1070.

Mr. MORRISON. Without objection, your statement will inserted at this point in the record.

(The statement follows:)

**PREPARED STATEMENT BY WILLIAM C. DOHERTY, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS**

Mr. Chairman and members of the subcommittee. I am delighted to have the opportunity of appearing before you today. As you know, I am voluntarily stepping down to retirement from my position as president of the National Association of Letter Carriers at our biennial convention in September, so this is almost certainly the last time I shall have the opportunity of testifying before you. In view of this I would like to extend to you my sincere personal thanks and the thanks of the entire membership of the National Association of Letter Carriers for your constant and generous help and cooperation over the years. Believe me, I am grateful.

I want to place before you the complete endorsement of the National Association of Letter Carriers of S. 1070.

This bill, as you know, was introduced in the other body by Senator Olin D. Johnston on February 27, 1961, and it was passed on July 17, of last year. If approved, it would allow postal and Federal employees to purchase an additional thousand dollars of Federal life insurance, if they are earning less than

\$10,000 a year, and an additional \$2,000 if they are earning more than \$10,000 a year.

I think this is very wholesome legislation.

The Federal life insurance program is a Godsend to all postal and Federal employees. Since our people are notoriously underpaid, the program does permit them to afford a certain measure of protection for their widows and orphans at a price they can afford.

However, great as the program is, there is a flaw in it. Those who make the largest salaries—and who are in the best position to provide for their heirs when they die—are entitled to buy the largest amount of insurance. Those who earn the least amount of money—and who are in the worst position to provide for their dear ones after their death—can purchase only a small amount of insurance.

To a certain extent this is unavoidable. But, as we all know so well, a postal employee in level 4 has to be either a genius or a miser if he is to accumulate any kind of estate to leave to his widow and orphans. In many cases, and believe me I know what I am talking about because I see the heartbreaking letters that come in, the money a letter carrier leaves behind him is sufficient only to provide him a decent burial and pay off his debts.

An extra thousand dollars of life insurance would be a boon to our people. It would go a long way toward providing just a touch of security to those who have shared the hardships of a letter carrier's life and who must endure hardship after that life has ended. We all know that a thousand dollars doesn't go for in this year of our Lord 1962 but to a bereaved and desperate widow it can mean the difference between self-respect and cold charity.

There is another point I wish to raise, with your permission, and it is this: During the 8 years that have elapsed since passage of the Federal Employees Life Insurance Act the purchasing power of the dollar has diminished. As this process occurs, the principal victims are those who depend upon fixed incomes such as annuities or who rely for their subsistence on insurance money. The \$3,000 or \$4,000 of insurance that a rank-and-file postal employee can purchase today is not as valuable to him as it was when the insurance law was passed—and there are indications that this eroding process is still working on the buying power of the dollar. The extra thousand dollars' insurance that a letter carrier or a postal clerk will be able to buy as the result of this legislation will not be all profit to his heirs. A substantial part of that \$1,000 must be applied toward making up for the diminished value of his original policy.

In short, Mr. Chairman and members of the subcommittee, this is humane legislation. I think it is badly needed legislation. It will give an extra unit of peace of mind to our people and this is something they badly need. I earnestly entreat you to consider this legislation favorably.

Once again, Mr. Chairman and members of the subcommittee, many thanks for your courtesy and permitting me to appear before you and my deepest and most heartfelt gratitude for your innumerable courtesies over the many years we have been so happily associated together.

Mr. MORRISON. Are there any questions?

Mr. WALLHAUSER. I want to acknowledge your sentiments, Mr. Chairman. I just came from another committee where I was testifying and I regret having missed the earlier testimony. I shall read this statement with great care and give it every consideration.

Mr. MORRISON. Thank you, Mr. Doherty.

The next witness we shall hear is the very able and distinguished president of the National Postal Union, Mr. John MacKay.

#### STATEMENT OF JOHN W. MacKAY, PRESIDENT, NATIONAL POSTAL UNION

Mr. MacKAY. Mr. Chairman and members of the committee, my name is John W. MacKay, president of the National Postal Union, with offices at 5019 14th Street NW., Washington, D.C.

I am privileged to represent approximately 40,000 postal workers affiliated in over 350 local unions in 43 States, the island of Puerto Rico, and the District of Columbia.

Mr. Chairman, in compliance with your request we, too, would like to submit our statement for the record and to go wholeheartedly in favor of S. 1070.

Mr. MORRISON. Without objection that statement will be filed in the record.

(The statement referred to follows:)

PREPARED STATEMENT OF JOHN W. MACKAY, PRESIDENT, NATIONAL POSTAL UNION

Mr. Chairman and members of the subcommittee, my name is John W. MacKay, president of the National Postal Union. I am privileged to represent approximately 40,000 postal workers affiliated in over 350 local unions in 43 States, the island of Puerto Rico, and the District of Columbia.

We are grateful, Mr. Chairman and members of this subcommittee, for these hearings on S. 1070, a bill to amend the Federal Employees' Group Life Insurance Act of 1954 to provide for an additional unit of life insurance. The National Postal Union would like to go on record in support of S. 1070. We are appreciative Mr. Chairman, for this opportunity to appear before your subcommittee in support of this legislation.

The National Postal Union, in convention assembled in Detroit, Mich., during the week of August 15, 1960, mandated its national officers to seek legislation providing a group life insurance policy for all postal employees in the amount of \$10,000, except those for employees whose salary exceeds that figure. For those exceeding \$10,000 we recommended the policy should be equal to such salary plus \$1,000. Our members also feel there should be no decrease in the face value of the policy after retirement and that the Government should defray the full premium cost. The bill for consideration before this subcommittee does not embody the above provisions but it is a step in the right direction.

The 1961 annual report of the U.S. Civil Service Commission indicates a balance as of June 30, 1961, in the group life insurance fund amounting to \$189,173,717. In addition, there is a contingent reserve held by the insurer which, at the beginning of the seventh policy year, on June 30, 1961, was \$120,567,003, plus beneficial association notes and interest in the amount of \$723,669. For the fiscal year 1955 to 1960, designated beneficiaries received \$363,011,457.

S. 1070 provides for the major contribution to be paid by the employee for the additional insurance. This, we feel, is not justified by the earnings of the insurance carriers and the financial condition of the fund. In view of the reserves accumulated to date, it would appear the employee should not be required to defray the cost of these improvements. Providing life insurance for the protection of workers' families has become an accepted practice in both Government and private industry. It is one of the most important fringe benefits an employee can receive. It is common practice in private industry for the employer to assume the entire cost of the insurance program.

We request this subcommittee give serious consideration to our request to amend the Federal Employees' Group Life Insurance Act of 1954 to require the Federal Government to pay the entire premium cost. The group life insurance program is of vital interest to all postal employees, as it provides a program of protection to the employee's family.

In conclusion, we appreciate the interest shown by the subcommittee in scheduling hearings on this legislation and we express our gratitude to the chairman and committee members for permitting us to express our opinions.

Mr. MACKAY. We feel, Mr. Chairman, that the statistics in the reserve, the amount of funds which have been accumulated, are such as to justify passage of S. 1070, and we feel this should be done as soon as possible.

We cannot go along with the idea that the insurance program as a retirement program will face a date in the immediate future when it will have to pay off all of its obligations, and we would hope rather than approaching this from a standpoint of actuarial solvency, as the Commission frequently does, in fact does consistently, we approach it from the idea that there are adequate funds in the retirement opera-

tion, adequate funds in the life insurance operation, which will carry and provide for extended liberalization.

We want to thank you, Mr. Chairman, for this opportunity to express our views and the opportunity to testify in favor of this bill. We hope it will be passed as soon as possible.

Mr. MORRISON. Questions?

Mr. WALLHAUSER. I have no questions. I want to say, Mr. MacKay, we established the other day in another committee that this fund takes in more than it pays out. The only problem is that no interest is being credited to the fund, so I agree there is certainly no problem of financial security.

Mr. MACKEY. Thank you, Mr. Wallhauser. We are very encouraged to hear that.

Mr. MORRISON. Thank you, Mr. MacKay.

The next witness will be Mr. Tommy Martin, the very able and distinguished president of the National Rural Letter Carrier's Association.

#### STATEMENT OF TOMMY M. MARTIN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

Mr. MARTIN. Thank you, Mr. Chairman. My name is Tommy Martin. I am president of the National Rural Letter Carriers' Association.

We appreciate the opportunity of appearing before the committee and supporting the bill under consideration.

I would like to request that my statement be made part of the record and I am available for any questions.

Mr. MORRISON. Without objection that statement will be filed. (The statement referred to follows:)

#### PREPARED STATEMENT OF TOMMY M. MARTIN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

Mr. Chairman and members of the subcommittee, my name is Tommy M. Martin. I am president of the National Rural Letter Carriers' Association, an organization composed of 39,500 regular, retired, temporary and substitute rural carriers.

We first want to express our appreciation to the chairman of this subcommittee Congressman James H. Morrison, for the introduction of H.R. 5162, a companion bill to S. 1070 which was introduced in the Senate by Senator Olin D. Johnston of South Carolina.

We welcome this opportunity to appear before this subcommittee and express the views of our association on this legislation. For 3 consecutive years the membership of this organization, by resolutions adopted at our annual national conventions, has mandated this association to seek liberalizing amendments to the Federal Employees' Group Life Insurance Act of 1954. The amendments desired are those which would provide a greater measure of life insurance protection.

S. 1070 and H.R. 5162 would accomplish that by providing for the purchase of additional insurance by eligible employees.

The Federal Employees' Life Insurance Act of 1954 has provided a greatly needed measure of protection, and the availability of this insurance has been invaluable to many families in alleviating their financial needs following death of the wage earner. All persons, however, recognize that the amount of protection required to provide adequate financial protection in the event of death is greater today than it was in 1954. In addition, employees share the very natural and human desire to provide the most adequate protection possible for their families.

The Federal employee is not alone in seeking this greater protection. Figures released by the U.S. Department of Commerce, and reported by the Institute of Life Insurance, disclose that the amount of life insurance has increased throughout the Nation an average of \$1,200 per family since 1954. Individual coverage in group life insurance policies increased an average of approximately \$850 during the same period.

The continuing hope of the Federal employee is that he, too, may be able to increase his insurance protection. That he prefers to do it within the framework of the FGLI program which is already in effect is evident. Because S. 1070 and H.R. 5162 would make that a reality, I am pleased to endorse wholeheartedly this legislation on behalf of the membership of this association.

This association has also sought for several years an amendment to the act which would change the present sharp decline in the face value of insurance following age 65 or retirement. This erosion of possible financial protection should be corrected. S. 1070 and H.R. 5162 would provide additional protection and would be a large step toward providing the measure of protection which most employees feel is currently necessary as a minimum. This association, however, also strongly endorses H.R. 3317, which would change the rate of reduction of insurance from 2 to 1 percent following age 65 or retirement, and which would peg the total reduction at 50 percent of face value instead of 25 percent as provided for in present law. We would ask that this provision be considered by the committee in approving a bill to amend this act.

We are aware of the present report on the status of the life insurance fund. We wish to advise the committee, however, that this association in endorsing amendments to the act desires that such liberalizations be effected even though the premium level may need to be adjusted upward at a future date to meet the increased cost. The employees insured under the act desire the amendments we are endorsing here today and would not object to additional payments to secure this additional coverage and protection.

Mr. Chairman, we trust this subcommittee and the full committee may see fit to give speedy approval to this legislation and send it to the House for action.

Mr. MORRISON. Are there any questions?

Mr. WALLHAUSER. I have no questions other than appreciation for this gentleman's appearance.

Mr. MORRISON. Thank you, Mr. Martin.

The next witness the committee would like to hear is Mr. John O'Connor, the very able and distinguished legislative representative of the United Federation of Postal Clerks.

#### STATEMENT OF JOHN F. O'CONNOR, LEGISLATIVE DIRECTOR OF THE UNITED FEDERATION OF POSTAL CLERKS

Mr. O'CONNOR. Thank you, Mr. Chairman. As the previous witnesses have done I would like to file my statement.

Mr. MORRISON. Without objection that will be done.

(The statement referred to follows:)

#### PREPARED STATEMENT OF JOHN F. O'CONNOR, LEGISLATIVE DIRECTOR, UNITED FEDERATION OF POSTAL CLERKS

Mr. Chairman and members of the subcommittee, for the purpose of identification my name is John F. O'Connor and I am legislative director of the United Federation of Postal Clerks. The name of our organization is a new one that came about as the result of a number of mergers with other postal clerk organizations during the past year. We now represent approximately 145,000 post-office clerks throughout the United States and its territories.

I wish to compliment the chairman and the committee on scheduling hearings on this most important legislation. We also desire to thank the chairman and other members of the House Post Office and Civil Service Committee, as well as many Members of Congress for having introduced legislation that will provide additional life insurance for postal and Federal employees. They have indicated a humane interest in the welfare of employees.

Life insurance is important to persons in all walks of life, and particularly so to those in the lower income brackets. In far too many instances it is the only means by which they can hope or expect to provide an estate, even in a small amount, at the time of death. The great bulk of Federal and postal employees are in the lower income brackets and this legislation is of pertinent interest to them. This interest has been indicated by the large participation on the part of employees in the life insurance program of the Government made available to them in 1954 by the Congress.

This particular type of life insurance is, to all intents and purposes, term insurance, and generally not considered the best kind of insurance. The group life insurance originally provided through an act of Congress in 1954 was, at that time, and is still considered by postal and Federal employees as the best kind of insurance. They feel it is backed by the prestige and honor of our Government. As a result of these thoughts concerning this insurance, it is our belief from the information we receive from our membership, they desire to obtain more of it.

In the 86th Congress a correction was made in connection with the inequities then existing concerning employees over age 65 who continued in the Federal service. Prior to that correction these employees continued to pay the same premium without receiving the same benefits.

The bills now being considered by this committee in all instances go even further than the previous legislation enacted to correct this inequity, inasmuch as they provide that a greater amount may be carried over as actual insurance after age 65.

Employees in the lower grades have a problem due to the lack of finances in providing additional life insurance at the general rates. We would, therefore, like to suggest to the committee that consideration be given to an increase in the amount of additional group life insurance that an employee in the lower salary grades may be able to purchase, as well as to the amount employees may receive in case of accidental death or dismemberment.

An employee in the lower salary grades has a difficult time saving any money during his lifetime to make the necessary provisions to take care of his wife and children upon his death. Reasonable life insurance as provided in the act of 1954 with the proposed amendments thereto are, we believe, the proper answer.

We feel that these amendments as provided in the many bills now before the committee are necessary and we are hopeful that the committee will very shortly report out a bill to provide additional life insurance for employees which will carry over past the age of 65.

We appreciate the opportunity of appearing before the committee and thank you for your consideration.

Mr. O'CONNOR. We as an organization do endorse increased life insurance for postal and Federal employees, and we are hopeful that the committee will report out a bill that will be helpful to these employees.

I thank you, gentlemen, for introducing these bills as well as other Members of Congress.

Mr. MORRISON. Questions?

Mr. WALLHAUSER. Mr. O'Connor, I have not yet had time to read your statement, but does it establish the fact that you feel many of your employees would avail themselves of the opportunity?

Mr. O'CONNOR. I am very certain they would. I am an example, and it is the only insurance I carry. I am sure it is true of many employees in the postal and Federal service. If additional insurance were available at the rates they are now I am sure many of them would take advantage of it. They have so stated.

Mr. WALLHAUSER. Thank you.

Mr. MORRISON. Thank you, Mr. O'Connor.

The next witness from whom we shall hear is Mr. John McCart, the very able and distinguished legislative representative of the American Federation of Government Employees.

**STATEMENT OF JOHN McCART, LEGISLATIVE REPRESENTATIVE,  
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES**

Mr. McCART. Mr. Chairman, we appreciate your scheduling these hearings as well as your introduction of H.R. 5162. We have supplied the subcommittee with a copy of our statement on the legislation and we would appreciate its inclusion in the transcript.

Mr. MORRISON. Without objection that statement will be filed.  
(The statement referred to follows:)

**PREPARED STATEMENT OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES**

The bill (S. 1070) which has passed the Senate and the Morrison bill, H.R. 5162, its companion in the House, would provide a most desirable improvement of the group life insurance program for Federal employees. This improvement would be accomplished by authorizing the issuance to Federal workers of additional units of life insurance which would not be reduced in face value after their retirement.

This reduction of face value of the policy is, in our opinion, a serious weakness of the Federal Employees' Group Life Insurance Act. When the insurance program was established by the act of 1954, we were greatly disappointed with the provision that the face value of the life insurance policy would be reduced eventually to 25 percent of its original value after the insured employee attained age 65.

Our membership has submitted resolutions to our national conventions calling for the elimination of this reduction of the face value of the group life insurance policies. They believe there should be no reduction, particularly in view of the fact that the employees are paying two-thirds of the cost of the program.

The group life insurance program was begun on a conservative basis so as to assure its financial soundness. It is gratifying to note that liberalization of the program is possible without endangering the soundness of the insurance fund.

When the bill, S. 1070, was offered in the Senate, we gave it our approval although we had hoped for an even more liberal approach to the problem of reducing the face value of the life insurance policies. It was somewhat disappointing that it was passed by the Senate in a modified form. Because it represents a modification of the bill as originally introduced, we believe there is every reason for speedy enactment.

Programs which provide substantial benefits for Federal employees have been improved gradually, especially when they involve sizable monetary contributions by the Government. The group life insurance program is no exception to this rule. It was improved last year when the act was amended to waive the reduction of 2 percent a month of the face value of a policy in the case of an individual continuing on the active rolls.

In its original form, the bill S. 1070, as did H.R. 5162, provided an additional \$1,000 of insurance for an employee whose insurance already purchased amounted to \$5,000; an employee with insurance between \$5,000 and \$10,000 would have an additional unit of \$2,000; an employee with insurance between \$10,000 and \$15,000 would have \$3,000 additional insurance; an employee with insurance between \$15,000 and \$20,000 would have additional insurance amounting to \$4,000; and for an insurance policy of \$20,000, an additional \$5,000 unit.

In each instance, the additional insurance would be nonreducible upon attainment of age 65.

As passed by the Senate, the bill (S. 1070) provides each insured employee with an additional unit of nonreducible life insurance of \$1,000 if his salary is less than \$10,000, or \$2,000 if his compensation is \$10,000 or more. As stated in the report by the Senate committee, this would reduce the cost to the Government from \$10.8 to \$6.9 million. It should be emphasized that in its modified form, the employees will pay \$13.8 million, representing two-thirds of the cost.

The net effect of this legislation will be to provide the lower paid employee

with something more, in the words of the Senate report, than "a pitifully small amount." That part of the committee's statement was:

"In light of present high costs of care for the aged, 25 percent of the original value leaves a pitifully small amount to the employee's estate. In many instances it falls short of defraying terminal medical expenses and normal burial costs to say nothing of leaving anything to dependent survivors."

This statement relates to such a situation as an employee having a salary between \$4,000 and \$5000. Upon retirement, the \$5,000 policy for which the employee was eligible would have been reduced in value to \$1,250. If this bill were passed in its present form, that \$1,250 would be increased to \$2,250.

The bill in its current form includes a very desirable amendment benefiting annuitants who have been reemployed on a permanent basis or for a definite period in excess of 1 year. It would permit those retired employees, if excluded before their reemployment, to enter the life insurance program and to continue their insurance upon retiring again. It would also permit the re-employed retiree whose insurance had been reduced to 25 percent, to be insured at his current salary while employed, with reductions in the insurance to begin after further retirement. These instances are relatively few, but it is fair to provide for them and the provision has the full accord of the Civil Service Commission.

We wish to express our appreciation, Mr. Chairman, for the opportunity to make these comments on this legislation.

Mr. McCART. Before the Senate Civil Service Committee we endorsed S. 1070 in its original form, which was identical with H.R. 5162. The bill was amended by the Senate and we are happy to subscribe to the bill in its present form.

I might say the cost of the additional insurance provided by S. 1070 and H.R. 5162 will be borne by the employees and the Government in the same ratio as is now the case, the employees financing two-thirds of the cost.

Since 1954 our organization has held four conventions and at each of those conventions resolutions have been approved endorsing a liberalization of the present drastic depreciation in the face value of these policies.

I think the basic rationale for this legislation can be found in the report of the Senate Committee:

In the light of present high costs of care for the aged 25 percent of the original value leaves a pitifully small amount to the employee's estate. In many instances it falls short of defraying terminal medical expenses and normal burial costs to say nothing of leaving anything to dependent survivors.

With that I want to thank you for scheduling us to appear and to express again our endorsement of S. 1070 and the principle of H.R. 5162.

Mr. MORRISON. Are there any questions?

Mr. WALLHAUSER. I have no questions. I think this is a fine statement.

Mr. MORRISON. Thank you very much, Mr. McCart.

The next witness that the committee would have heard was Mr. Vaux Owen, president of the National Federation of Federal Employees, a very distinguished and able president, who is unable to be with us. I understand Mr. Luther C. Steward, Jr., is here in his place.

**STATEMENT OF LUTHER C. STEWARD, JR., ASSISTANT TO THE  
PRESIDENT FOR LEGISLATION AND ADJUSTMENTS, NATIONAL  
FEDERATION OF FEDERAL EMPLOYEES, APPEARING FOR VAUX  
OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EM-  
PLOYEES**

Mr. STEWARD. Mr. Owen wanted me to express regrets for his inability to be here this morning. I ask his statement be filed in the record as if he were here.

Mr. MORRISON. Without objection let same be done.  
(Mr. Owen's statement follows:)

**PREPARED STATEMENT OF VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF  
FEDERAL EMPLOYEES**

Mr. Chairman and members of the subcommittee, I am Vaux Owen, president of the National Federation of Federal Employees.

Our members appreciate the action of Congressman James H. Morrison, chairman of this subcommittee, in introducing H.R. 5162 on March 2, 1961. They recognize his action as an indication of his continuing interest in legislation affecting Federal employees.

S. 1070 as introduced by Senator Olin D. Johnston in the Senate on February 24, 1961, and H.R. 5162 were originally identical bills. However, the Senate amended S. 1070 by substituting a new text and passed the amended bill on July 17, 1961, and it is the amended S. 1070 which is before this subcommittee. The bill provides for an additional unit of life insurance (\$1,000 if the annual compensation is less than \$10,000 and \$2,000 if the annual compensation is \$10,000 or more) and that the additional life insurance shall not be reduced after retirement. It also gives the Civil Service Commission authority to correct an inequity under existing law.

Our organization strongly supports S. 1070 as amended and passed by the Senate.

At our national convention in New York City in September 1960, resolutions were adopted favoring an increase in coverage and a limitation on reduction upon retirement so that the retiree would have at least 50 percent of his insurance. Our members were concerned about more coverage during the years they have children to support and educate and also the amount of insurance for the beneficiary at time of death occurring after retirement.

It is believed these desires are understandable and natural and that an attempt should be made to satisfy them. S. 1070 seeks to provide the solution. We point out that the increased coverage as well as the amount protected from reduction at time of retirement are modest and reasonable.

I think it is pertinent to say that the Government is at a disadvantage in holding and recruiting employees because it lags behind many industries in this field. In many business concerns the company bears all of the premium cost. In these times the Government needs to retain and recruit capable employees. It will not be able to do so unless it takes appropriate steps to meet existing competition. The continual growing awareness of the importance of life insurance inescapably has a bearing on the need to improve and liberalize the Federal Employees Group Life Insurance Act.

I respectfully and strongly urge that this subcommittee favorably report S. 1070 as passed by the Senate on July 17, 1961.

I appreciate the opportunity to present this statement and thank the chairman and the members of the subcommittee for their interest in this legislation.

Mr. MORRISON. Thank you, Mr. Steward.

The next witness will be Mr. Daniel Jaspan, the able and distinguished legislative representative of the National Association of Postal Supervisors.

STATEMENT OF DANIEL JASPAN, LEGISLATIVE REPRESENTATIVE,  
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. JASPAN. Thank you, Mr. Chairman. To expedite the hearings I would like to file my statement and highlight it briefly.

Mr. MORRISON. Without objection let the statement be filed as requested.

(The statement referred to follows:)

PREPARED STATEMENT OF DANIEL JASPAN, LEGISLATIVE REPRESENTATIVE, NATIONAL  
ASSOCIATION OF POSTAL SUPERVISORS

Mr. Chairman and members of the subcommittee, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors. Our association is composed of 26,000 postal supervisors, including those in the motor vehicle and maintenance services. We have members in each of the 50 States and in Puerto Rico.

We are grateful to this committee for taking further action on S. 1070, which was passed by the Senate after the original bill had been considerably amended. We hope that this committee will consider restoring some of the provisions of the original bill. That bill provided for an additional \$1,000 of life insurance for employees now entitled to less than \$5,000. Those now entitled to \$5,000 to \$9,999 would have been granted an additional \$2,000 of insurance; those now having at least \$10,000 but less than \$15,000 would be entitled to an additional \$3,000; those whose present insurance is between \$15,000 and \$20,000 would have an additional \$4,000; and those whose present insurance is \$20,000 or more would have an additional \$5,000 of life insurance. All of the additional insurance would not be reduced on account of age or retirement.

Such an insurance program is necessary for two reasons. First, very few postal employees can afford adequate insurance coverage at the rates of commercial insurance. In the second place, the rapid reduction of the face value of life insurance at age 65, or retirement, whichever is later, means that employees' survivors will not receive enough insurance coverage for their needs.

Actually, we have been interested, as evidenced by our resolutions at conventions, in being permitted to purchase double the present maximum insurance. We respectfully urge this subcommittee to study the possibility of amending the bill for such coverage. Although the cost of living has not been increasing as rapidly as formerly, the trend is still upward and the value of any life insurance left to our survivors will constantly decrease in comparison with the dollar value when the life insurance plan was put into operation in 1954.

Although the "reserve fund" in the life insurance program has been steadily increasing, we do not ask that the additional insurance be furnished free of cost to the employee. Our members are willing to pay the cost for the additional insurance at this time. We hope, however, that the Government will follow the lead of industry in general, where the employer contributes either the full amount or a major portion of the cost of life insurance. As was mentioned by one of the administration spokesmen last week, industry has taken the lead in providing health and life insurance.

As you know, the present insurance declines, after age 65, or retirement, whichever is later, by 2 percent per month until it reaches 25 percent of face value. We would like to see the basic life insurance made nonreducible, or, at least, not to reduce faster than 1 percent per month and to not less than 50 percent of face value. We respectfully urge this committee to consider amending the original Life Insurance Act of 1954 to provide these features. Our members are in the older age group where life insurance is essential, but the cost of commercial insurance is practically prohibitive at the salary levels of most of our members. And, at age 65 or retirement, additional coverage to compensate for the decline in face value is out of the question.

To sum up our stand, we hope that this committee liberalizes the features of the present S. 1070. We prefer that the employees be permitted to purchase double the amount to which they are entitled at present; that the whole amount

be either nonreducible, or that the rate of reduction will be no more than 1 percent per month to 50 percent of face value, and that all of the insurance be free of cost to the employee at age 65, or separation from the service, whichever is later.

If this committee, in its judgment, feels that it cannot comply with these requests, we hope that the minimum adjustment it makes in S. 1070 is to restore the amounts of insurance in the original bill, as stated in the second paragraph of this testimony.

Thank you very much for permitting me to appear before you to state the views of the National Association of Postal Supervisors. We hope for early action by the subcommittee, the full committee, and the Congress on this vital subject.

Mr. JASPAN. Of course, we support S. 1070, although we like the features of your bill much better since it would permit the employees to purchase up to \$5,000 additional insurance which is very much needed by most of the employees.

We cannot agree with the Chairman of the Commission that postal employees can use this as a supplemental part of their program. Most of the postal employees have this life insurance and that is all, without any supplementary coverage, and that is why it is so important.

We also wish you would consider before you decide on a bill with the reduction of the insurance to 25 percent of face value and 2 percent a month and hope it will be amended to decrease that reduction to 1 percent and possibly 50 percent of face value as proposed in several bills.

Another thing we hope would be considered is that some of the bills were introduced to have employees purchase twice the amount they are now able to purchase. It is very important for our people to have additional insurance particularly since we represent an older age group and the cost of commercial insurance is much higher for them than it would be for younger people.

We know the reserve fund has been steadily growing and we do not ask that this additional insurance be given us for nothing.

At the present time we are willing to pay for the additional cost even though the trend in private industry is to give this coverage without any cost to the employee. More and more firms in industry are doing that.

Of course, we will go along with what the committee decides because we are interested in having some additional coverage. We realize it is late in the congressional season. We hope something will be reported out which can be acted on by the committee and Congress in the near future.

Thank you very much, Mr. Chairman.

Mr. WALLHAUSER. You are making the point, are you not, that the inadequate pay of Federal employees does not allow them to build up an estate other than life insurance?

Mr. JASPAN. That is very true, Mr. Wallhauser. Very, very few of the postal employees, and that includes supervisors, most of them in the lower brackets, can afford the additional insurance.

Mr. WALLHAUSER. You feel simple justice and equity requires that the Government take this under consideration?

Mr. JASPAN. Yes, sir, that is very important. At my age commercial insurance costs about \$40 a thousand compared to \$6.25 a

thousand here, and there are very few people who can have adequate coverage at those rates.

Mr. MORRISON. Thank you, Mr. Jaspan.

The next witness the committee would like to hear from is Mr. Ross Messer, the able and distinguished legislative representative of the National Association of Post Office and General Services Maintenance Employees.

**STATEMENT OF ROSS A. MESSER, LEGISLATIVE REPRESENTATIVE,  
NATIONAL ASSOCIATION OF POST OFFICE AND GENERAL SERVICES MAINTENANCE EMPLOYEES**

Mr. MESSER. Thank you, Mr. Chairman and members of the committee, for the opportunity to appear before you today. My name is Ross A. Messer, legislative representative of the National Association of Post Office and General Services Maintenance Employees, representing the maintenance employees of the Postal Field Service and General Service Administration, with members in the 50 States, Puerto Rico, the Virgin Islands and the District of Columbia. Our national office is located at 724 Ninth Street NW., Washington, D.C.

I wish to take this opportunity to thank you, Mr. Chairman and members of the committee, for your interest in providing additional units of life insurance for Government employees under the Federal Employees' Group Life Insurance Act of 1954. I also wish to thank you Mr. Chairman for the introduction of H.R. 5162, providing this additional protection which is needed very badly by the lower paid Government employees.

This association has long favored legislation to allow Government employees to purchase additional low-cost life insurance for the protection of their loved ones. It is very difficult for the average maintenance employee to purchase sufficient life insurance to properly protect his family in case of his death. The high cost of private insurance and the low salaries of the maintenance employees make the purchase of additional life insurance impossible if the employee is to properly provide for his family. The average salary of the post office maintenance employee on June 30, 1961, was \$4,600 per annum.

This association endorses H.R. 5162 which provides optional additional life insurance on a sliding scale. It is our understanding that under H.R. 5162 the additional life insurance would not be mandatory and the sliding scale for additional life insurance would be based upon the salary the employee was receiving in a range from \$1,000 to \$5,000 additional life insurance.

The Senate Post Office and Civil Service Committee has held extensive hearings on a companion bill, S. 1070, which passed the Senate on July 17, 1961. The Senate amended S. 1070 to provide for only two increments of additional life insurance, \$1,000 for those with annual compensation of less than \$10,000 and \$2,000 for those with annual compensation of more than \$10,000. Mr. Chairman, in the interest of all Government employees, we would like to endorse the provisions of S. 1070, and request the committee to take speedy action to insure its enactment at this session of Congress.

I wish to again thank you, Mr. Chairman and members of the committee, for the opportunity to appear before you today.

Mr. MORRISON. Thank you, Mr. Messer.

The next witness the committee would like to hear from is Mr. George Warfel, the very able and distinguished president of the National Association of Special Delivery Messengers.

**STATEMENT OF GEORGE L. WARFEL, PRESIDENT OF THE NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS**

Mr. WARFEL. Mr. Chairman and members of the committee, with your kind permission I would like my statement to be filed in the record.

Mr. MORRISON. Without objection the statement will be filed at this point in the record.

(The statement referred to follows:)

**PREPARED STATEMENT BY GEORGE L. WARFEL, PRESIDENT, NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS**

Mr. Chairman and members of the committee, my name is George L. Warfel, president of the National Association of Special Delivery Messengers, with membership limited to special delivery messengers in the postal field service. We are affiliated with the AFL-CIO, and with the Government Employees' Council.

We are grateful for this opportunity to appear before you in support of this bill, which seeks to provide for special delivery messengers and all postal and Federal employees an opportunity to purchase additional Government life insurance at the same rate now applicable to that they now carry. The value of this additional insurance would not be reduced at retirement, or upon reaching age 65.

Members of the National Association of Special Delivery Messengers have been highly appreciative of the opportunity afforded to them under the Life Insurance Act, to secure the maximum amount of insurance at the minimum premium rate. Enactment of this bill would permit them to secure needed additional life insurance protection to their families at the same low rate.

We, therefore, trust this committee will favorably recommend passage of this legislation to the full committee.

Thank you.

Mr. WARFEL. The special delivery messengers are very appreciative of this opportunity to get insurance as provided under the Life Insurance Act, and in the interest apparently of getting some action on the bill we have endorsed the Senate bill. We hope the committee can see fit to report it favorably to the full committee.

Mr. MORRISON. Questions?

Mr. WALLHAUSER. Thank you very much for your appearance.

Mr. MORRISON. We certainly thank you, Mr. Warfel.

The next witness the committee would like to hear from is Mr. James Langan, the very able and distinguished executive director, Government Employees' Council, AFL-CIO.

**STATEMENT OF JAMES LANGAN, EXECUTIVE DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO**

Mr. LANGAN. Thank you, Mr. Chairman.

Like those who preceded me, Mr. Chairman, I would like my statement to appear in the record and just say a word or two with reference to it.

Mr. MORRISON. Without objection, the statement will be filed as requested.

(Mr. Langan's statement follows:)

PREPARED STATEMENT OF JAMES K. LANGAN, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, my name is James K. Langan, operations director of the Government Employees' Council, AFL-CIO, comprising 23 affiliated unions representing 750,000 Federal employees in all categories of the Government service.

We wish to express our appreciation to the chairman of this subcommittee and to the other Members of the Congress who have introduced bills on the subject of increased amount of group life insurance available to Federal employees.

It is our opinion that the average Government employee is restricted in his opportunity to provide a modest estate for his family dependents. A partial remedy would be the increasing of the amount of life insurance coverage available.

S. 1070, already passed by the Senate, provides an extremely modest increase in the insurance available and for reasons of practicality we endorse this bill and hope this subcommittee will report it favorably to the full committee.

We desire to further thank you, Mr. Chairman and members of the subcommittee, for holding this hearing and giving us a chance to state our views on the subject.

Mr. LANGAN. I wish to say we are very appreciative that you and other Members of the Congress have introduced bills on this subject. We like H.R. 5162 and S. 1070 as originally written. However, all successful legislation is the result of compromise, and we feel that at this date it would be most practical and most appreciated by the people I represent to have this committee approve the provisions now contained in S. 1070 as amended by the Senate.

That is all, Mr. Chairman.

Mr. MORRISON. Are there any questions?

Mr. WALLHAUSER. I do not believe so, Mr. Chairman.

Mr. MORRISON. Thank you very kindly, Mr. Langan.

The next witness is Mr. Everett G. Gibson, legislative director, National Federation of Post Office Motor Vehicle Employees.

STATEMENT OF EVERETT G. GIBSON, LEGISLATIVE DIRECTOR,  
FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES

Mr. GIBSON. Mr. Chairman and members of the subcommittee, my name is Everett G. Gibson and I am legislative director and secretary of the National Federation of Post Office Motor Vehicle Employees, affiliated with the AFL-CIO and Government Employees' Council, with offices at 412 Fifth Street NW., Washington, D.C.

I want to thank you Mr. Chairman and the members of the committee for allowing me to appear before you today. We endorse H.R. 5162, introduced by the chairman of this subcommittee, Congressman Morrison. This legislation would provide our members an opportunity to purchase additional Government life insurance at the same rate now applicable to that now carried by our members and would not be reduced at retirement or upon reaching the age of 65.

The Senate Post Office and Civil Service Committee has approved S. 1070 which passed the Senate on July 17, 1961, and therefore we endorse the provisions of S. 1070 and sincerely hope that this committee will make every effort for its enactment at this session of Congress.

We appreciate the opportunity to appear before the committee and thank you for your consideration.

Mr. MORRISON. Thank you, Mr. Gibson.

The next witness is Mr. John G. Brady, legislation chairman of the National Association of Internal Revenue Employees.

**STATEMENT OF JOHN G. BRADY, LEGISLATION CHAIRMAN OF THE NATIONAL ASSOCIATION OF INTERNAL REVENUE EMPLOYEES**

Mr. BRADY. Mr. Chairman and members of the subcommittee, I am John G. Brady, chairman of the Legislation Committee of the National Association of Internal Revenue Employees. Our office is located at 711 14th Street NW., Washington, D.C. Our association of over 26,204 members strongly urges and recommends the enactment of this bill, H.R. 5162 (S. 1070) to increase life insurance coverage for Federal employees and their families. This bill would affect every one of the over 2 million Government workers now participating in the Federal employees group life insurance program. Also, each employee would have additional life insurance protection during his career when the cost of rearing children and establishing a home are the highest.

The net results of this bill:

1. More insurance for the middle years when it is needed most.
2. It provides all employees with an additional amount of insurance that will go to their survivors without deduction.

We the members of the National Association of Internal Revenue Employees earnestly beg your support of H.R. 5162 (S. 1070).

I appreciate the opportunity to present this statement and my sincere thanks to Chairman Morrison and his committee.

Mr. MORRISON. Thank you, Mr. Brady.

The next witness is Mr. Harold McAvoy, national president of the Post Office Mail Handlers, Watchmen, Messengers, Group Leaders, and Employees in the Bureau of Facilities.

**STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT OF THE POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, GROUP LEADERS, AND EMPLOYEES IN THE BUREAU OF FACILITIES**

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 Employees in the Bureau of Facilities.

I would like to go on record as fully endorsing S. 1070 and related bills.

(2) In addition to the insurance referred to in paragraph (1), each employee insured under this Act shall have additional group life insurance only as follows:

If the annual compensation is—the amount of additional group life insurance shall be—

Less than \$10,000.....	\$1, 000
\$10,000 or more.....	2, 000

This would be, if accepted by your committee, a giant step in the right direction. I sincerely hope that you and your committee members will give speedy and favorable consideration to the companion bills before your committee.

Thank you for the privilege of appearing before you and your committee on these worthy bills.

Mr. MORRISON. Thank you, Mr. McAvoy.

The next witness is Mr. Ashby G. Smith, president of the National Alliance of Postal Employees.

#### STATEMENT OF ASHBY G. SMITH, PRESIDENT, NATIONAL ALLIANCE OF POSTAL EMPLOYEES

Mr. SMITH. Mr. Chairman and members of the committee, we thank you for the opportunity to address ourselves to the subject of increased benefits for postal and Federal employees under the Federal employee group life insurance program. We also wish to recognize and express our gratitude for the interest you have shown and are showing in the welfare of the Federal workers.

My name is Ashby G. Smith. I am president of the National Alliance of Postal Employees, with offices at 1644 11th Street NW., Washington, D.C. Our organization represents 27,000 members in 37 States with 117 branches. These people who occupy the lower grades of the postal service join me in my expression to you on this subject.

We will not reiterate much of the testimony which has been made to you. Our purpose here is to reinforce what has been stated in support of the principle of S. 1070, so thoughtfully authored by Senator Olin Johnston.

Sirs, study of S. 1070 and similar proposals to increase the benefits of the Federal employees' group life insurance plan reopens a subject of vital interest to postal employees. Indeed, the National Alliance of Postal Employees endorses the principle of low-cost life insurance.

However, we view with some degree of caution the proposal that additional insurance benefits be made available with the full cost to be borne by the employee. The reason for our caution rests on the term type policy in which we are now enrolled.

When we consider the cost to the employee who reaches age 65 or retires and then finds his coverage reduced to about \$1,500 on a \$6,000 policy, it seems to us a prohibitive rate. Added to this is the absence of loan value or a cash surrender provision wherein this money set aside could be used.

Also, the linking of life insurance to the Federal Employees' Compensation Act can create difficulties and, in our opinion, unnecessarily. Here we find the employee losing his term coverage if his compensation benefits are not being received and he does not return to duty. Furthermore, it is our feeling that in many compensation issues, disputes, arise which do prevail for periods in excess of the 12-month limitation. Moreover, the language of the Compensation Act requiring benefits to be paid is unclear in a question of com-

pensation under litigation. Such an issue contains the possibility of long duration before being resolved. Therefore, such a period may find an employee without life insurance protection, in addition to his waiting for a final decision on compensation. Hence, our point here is to maintain the employee's claim to insurance coverage during the entire period of his claim to compensation. Moreover, an employee on leave of absence loses coverage after 12 months of inactive pay status. We feel that provisions should be made for such an employee to assume voluntary full obligation for payments required for continued participation in the FEGLIP.

We do not think additional insurance under this type of policy fully paid for by the employee is the answer to these questions. Insurance programing is an act of thriftiness on the part of the people. This incentive respects the anticipated eventualities of the future. But even with the reduced coverage at age 65, a \$3-a-month premium on a \$6,000 policy for 25 or 30 years is hardly an inducement.

May we suggest consideration of the following recommendations as being worthy of your consideration:

(1) Changes of the plan to a straight life policy, or use of the additional premium to increase the after-65 amount to more beneficial levels.

(2) Make provisions for claim of insurance benefits for full duration of period in which employee compensation issues are in litigation.

(3) Make available to employees in AWOP status total insurance coverage under a voluntary payment arrangement.

Mr. MORRISON. Thank you, Mr. Smith.

The hearing will be adjourned, subject to the call of the Chair.

(The subcommittee adjourned at 11:05 a.m., Monday, July 16, 1962, subject to call of the Chair.)



10-10-1918

