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INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

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HEARINGS BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES EIGHTY-SEVENTH CONGRESS SECOND SESSION ON

H.R. 3316, H.R. 10706, and similar bills

BILLS TO AMEND THE CIVIL SERVICE RETIREMENT ACT SO AS TO PROVIDE FOR INCREASES IN ANNUITIES, ELIMINATE THE OPTION WITH RESPECT TO CERTAIN SURVIVOR ANNUITIES, AND PROVIDE FOR INTERCHANGE OF CREDITS BETWEEN THE CIVIL SERVICE RETIREMENT SYSTEM AND THE INSURANCE SYSTEM ESTABLISHED BY TITLE II OF THE SOCIAL SECURITY ACT, AND FOR OTHER PURPOSES

JULY 13, AUGUST 30, 1962

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



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INCREASING CIVIL SERVICE
RETIREMENT ANNUITIES

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HEARINGS

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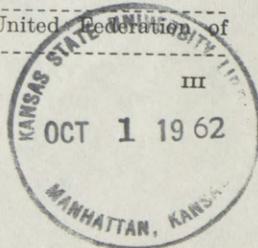
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INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

FRIDAY, JULY 13, 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 (subcommittee chairman) presiding.

(H.R. 3316, H.R. 10760, and a report from the U.S. Civil Service Commission on S. 2937 follow:)

[H.R. 3316, 87th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act to provide for the adjustment of inequities and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the annuity of each retired employee or Member of Congress who, on the date of this Act, is receiving or entitled to receive an annuity from the civil service retirement and disability fund, shall be increased by 20 per centum of the amount of such annuity, not in excess of \$1,500, and by 10 per centum of the remainder of such annuity.

(b) The annuity otherwise payable on the date of this Act from the civil service retirement and disability fund to—

(1) each survivor who is receiving or entitled to receive an annuity based on service previously terminated,

(2) each survivor of a retired employee or Member of Congress described in subsection (a) of this section, shall be increased by 20 per centum of the amount of such annuity not in excess of \$1,500, and by 10 per centum of the remainder of such annuity.

(c) No increase provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

SEC. 2. Section 14 of the Civil Service Retirement Act, as amended, is amended by adding at the end thereof the following:

“(f) Notwithstanding any other provision of law, each annuity payable from this fund shall be increased whenever (1) there is a general adjustment of salaries of classified employees or of postal employees, or (2) the formula for computing annuities of retiring employees generally is liberalized. Such increase in annuities shall become effective the first day of the third month after the effective date of the salary adjustment or computation formula liberalization on which it is based. The percentage of annuity increase shall be determined by the Commission so as to approximate the estimated average percentage increase in salary or in annuity resulting from such adjustment or liberalization. The annuity percentage increase determined by the Commission shall be applied to each annuity which is payable from the fund as of the effective date of the salary increase or computation formula liberalization, except that that portion of any annuity purchased by voluntary contributions shall not be increased, and such increase in annuity of a retired employee or Member shall operate to increase the annuity of his survivors proportionately. Determination by the Commission under this section shall be final and conclusive and shall not be subject to review.

"This section shall become effective on the first day of the first month following enactment."

SEC. 3. Notwithstanding any other provision of law, the benefits provided by this Act shall be paid from the civil service retirement and disability fund.

[H.R. 10706, 87th Cong., 2d sess.]

A BILL To amend the Civil Service Retirement Act so as to provide for increases in annuities, eliminate the option with respect to certain survivor annuities, and provide for interchange of credits between the civil service retirement system and the insurance system established by title II of the Social Security Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Civil Service Retirement Act is amended by redesignating section 18 as section 21, and by inserting after section 17 the following new sections:

"INCREASES IN ANNUITIES

"SEC. 18. (a) Upon the first general adjustment in the rates of compensation of classified employees of the Government after the enactment of this section, the annuity of each annuitant (including survivor annuitants) whose annuity is payable from the fund and is based upon service which terminated before the effective date of such general adjustment shall be increased by a percentage determined by the Commission to be approximately equal to the average increase in rates of compensation resulting from such adjustment.

"(b) The annuity of each annuitant (including survivor annuitants) whose annuity is payable from the fund and is based upon service which terminates during the period beginning on the effective date of the general adjustment referred to in subsection (a) and ending five years after such date shall be increased in accordance with the following table:

"If the annuity is based upon service which terminated—	The annuity shall be increased by the following percentage of the increase determined by the Commission under subsection (a):
Not more than one year after such date.....	80 per centum
At least one year but less than two years after such date.....	60 per centum
At least two years but less than three years after such date.....	40 per centum
At least three years but less than four years after such date.....	20 per centum
At least four years but not more than five years after such date.....	10 per centum

"(c) Effective on the first day of the first calendar month which begins at least one year after the effective date of the adjustment provided by subsection (a) and annually thereafter, the annuity of each annuitant (including survivor annuitants) receiving an annuity payable from the fund shall be increased by a percentage equal to the percentage of increase, if any, in the cost of living as determined by the Commission on the basis of the Bureau of Labor Statistics' Consumer Price Index for moderate income families in large cities, since the last previous increase under this section provided that such increase in the cost of living amounts to at least 1 per centum. In computing any increase in annuity under this subsection, there shall first be added to the annuity any increase therein authorized by subsection (a) or (b).

"(d) No increase shall be made under this section in the portion of any annuity purchased by voluntary contributions. The increase in the annuity of a retired employee under this section shall be included in computing the amount of the annuity of any survivor of such retired employee, but no survivor annuity shall be increased under subsection (b) in any case in which the annuity of the annuitant upon whose service the survivor annuity is based received an increase under subsection (a) or (b). Determinations by the Commission under this section shall be final and conclusive and shall not be subject to review.

"TRANSFER OF SOCIAL SECURITY CREDITS

"SEC. 19. (a) In determining length of service for the purpose of computing the annuity under section 9 of any employee or Member who—

"(1) retires upon or after attainment of age 62;

"(2) has at least one quarter of coverage under title II of the Social Security Act, but is not a fully insured individual (as defined in section 214(a) of such Act);

such employee or Member, upon compliance with subsection (c), shall be credited with 3 additional months of service for each such quarter of coverage under such title.

"(b) The annuity under section 9 of any employee or Member who—

"(1) retires prior to attainment of age 62;

"(2) has at least one quarter of coverage under title II of the Social Security Act, but is not a fully insured individual (as defined in section 214(a) of such Act);

shall, upon subsequent attainment of such age and compliance with subsection (c) be recomputed so as to include credit for 3 additional months of service for each such quarter of coverage under such title.

"(c) No additional service shall be credited pursuant to subsection (a) or (b) unless the employee or Member—

"(1) makes application for such credit at such time and in such manner as the Commission shall by regulation prescribe;

"(2) deposits in the fund an amount for each quarter of coverage for which credit is requested equal to the amount by which—

"(i) one-fourth of his average salary multiplied by the rate of contribution under section 4 applicable on the last day of such quarter exceeds

"(ii) the amount of tax imposed by sections 3101 and 1401 of the Internal Revenue Code, by sections 1400 and 480 of the Internal Revenue Code of 1954, or prior provisions of law imposing taxes with respect to employment for social security purposes, as the case may be, with respect to his earnings and self-employment income for such quarter.

"(d) No credit shall be allowed in the case of any employee or Member under this section for any quarter of coverage if during any part of such quarter he performed service which is credited, without regard to this section, for the purpose of computing an annuity under this Act.

"(e) credited under this section shall be disregarded in determining average salary and eligibility for retirement for the purposes of this Act.

"(f) Any quarter of coverage credited to an employee or Member under this section shall not thereafter be considered to be a quarter of coverage for purposes of the insurance system established by title II of the Social Security Act.

"(g) In any case in which an employer or Member is credited with service in accordance with this section, with respect to any quarter of coverage, the Secretary of Health, Education, and Welfare shall transfer from the Federal Old-Age and Survivors Insurance Fund and Federal Disability Insurance Trust Fund to the civil service retirement and disability fund an amount equal to the amounts deposited therein for such quarter by reason of the tax imposed by sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954, by sections 480, 1400, and 1410 of the Internal Revenue Code of 1939, or by prior provisions of law imposing taxes with respect to employment for social security purposes, as the case may be.

"TRANSFER OF CIVIL SERVICE CREDITS

"SEC. 20. (a) In determining entitlement to, and the amount of, any benefit payable under title II of the Social Security Act upon the basis of the earnings or self-employment income of any individual who at the time application is made for such benefit shall have performed less than five years of service which is creditable under section 3, such service shall be deemed, subject to subsection (b), to be 'employment' within the meaning of section 210 of the Social Security Act, and such individual shall be deemed to have received during such service 'wages' within the meaning of section 209 of the Social Security Act in an amount equal to the lesser of (1) the basic salary paid to him for such service, or (2) the maximum yearly amount which may be considered as wages under section 209 of the Social Security Act.

"(b) No service shall be deemed to be 'employment' under subsection (a) unless—

"(1) the individual performing such service so elects at such time and in such manner as the Secretary of Health, Education, and Welfare shall by regulation prescribe, and

"(2) there is paid into the Federal Old Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund amounts determined by the Secretary to be equal to the amounts which would have been paid into such funds by reason of the taxes imposed by section 3101 of the Internal Revenue Code of 1954, section 1400 of the Internal Revenue Code of 1939, or prior provisions of law imposing taxes on employees with respect to employment for social security purposes, as the case may be, if

such service had been employment subject to such sections or such prior provisions of law.

For the purpose of paying in whole or in part the amount required by paragraph (2), such individual may, if he so elects, cause to be transferred to such funds from the civil service retirement and disability fund a sum equal to such amount or equal to his lump sum credit, whichever is lesser, and in such case the lump sum shall credit be reduced by the amount so transferred. Whenever an individual referred to in this subsection is deceased, any election which he would be authorized to make under this subsection may be made by any person who, upon application therefor, would be entitled to a monthly benefit under title II of the Social Security Act on the basis of the wages and self-employment income of such individual. In any case in which service is deemed to be employment in accordance with this section, the Civil Service Commission shall transfer from the civil service retirement and disability fund to the Federal Old Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund an amount determined by the Secretary of Health, Education, and Welfare to be equal to the amounts which would have been paid into such funds by reason of the taxes imposed by section 3111 of the Internal Revenue Code of 1954, section 1410 of the Internal Revenue Code of 1939, or prior provisions of law imposing taxes on employers with respect to employment for social security purposes, as the case may be, if such service had been employment subject to such sections or such prior provisions of law.

"(c) Any service deemed to be 'employment' under this section shall not thereafter be considered as service for the purposes of any other section of this Act."

SEC. 2. (a) Section 9(g) of the Civil Service Retirement Act is amended to read as follows:

"(g) The annuity as hereinbefore provided, for any employee or Member retiring under section 6, 7, or 8 who at the time of retirement has a wife or a dependent husband, or any such employee or Member who at the time of retirement designates her husband (other than a dependent husband) to receive an annuity after her death computed as provided in section 10(a) (1), shall be reduced by 2½ per centum of so much thereof as does not exceed \$2,400 and by 10 per centum of so much thereof as exceeds \$2,400."

(b) Section 10(a) (1) of such Act is amended to read as follows:

"(1) If a Member or employee dies after having retired under any provision of this Act and is survived by a wife or dependent husband to whom the Member or employee was married at the time of retirement, or by a husband designated under section 9(g), such wife or husband shall be paid an annuity equal to 50 per centum of an annuity computed as provided in subsections (a), (b), (c), (d), (e), and (f) of section 9, as may apply with respect to the annuitant."

SEC. 3. The amendments made by the first section, insofar as they add a new section 19 to the Civil Service Retirement Act, and the amendments made by section 2, shall not apply in the case of employees retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if these amendments had not been enacted. Such amendments made by the first section, insofar as they add a new section 20 to the Civil Service Retirement Act, shall take effect upon the date of enactment of this Act, but nothing contained in such section 20 shall be construed to require the Secretary of Health, Education, and Welfare to grant a recomputation of any individual's monthly insurance benefit under title II of the Social Security Act solely by reason of the enactment of such section 20, if such individual is entitled to such benefit for the month in which such section 20 is enacted.

CIVIL SERVICE COMMISSION,
Washington, D.C., September 5, 1962.

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

DEAR MR. CHAIRMAN: This is in response to your informal request of August 29 for the Commission's views on S. 2937, a bill now pending before the Senate to adjust annuities under the Civil Service Retirement Act.

Section 1 of the bill proposes a 5-percent increase, effective January 1, 1963, to annuitants then on the roll. Section 2 incorporates a plan for future automatic adjustment of annuities based on rises in cost of living. Where annuitants

receive any of these increases, their survivors would receive the same percentage increases in the survivor annuities.

The Commission concurs in enactment of these provisions. They are substantially in accord with comparable items in the administration's plan for annuity increases which was presented to Congress by the Commission on May 9, 1962.

Section 1 of S. 2937 would further benefit a limited number of cases by prospectively removing the \$2,160 and \$4,104 ceilings imposed by the 1952 and 1955 annuity increase laws. These ceilings were entirely inconsistent with preservation of the intended relationship of annuity rate to the employee's service and salary, which relationship is fundamental in our system. The Commission accordingly offers no objection to enactment of this provision.

Under section 1, annuities commencing between January 2, 1963, and December 31, 1966, would be increased on a scale graded in yearly steps from 4 to 1 percent. This stipulation is inserted to somewhat equalize annuities granted to employees retiring between the cited dates with benefits allowable to those persons separating for retirement before and after this period. It takes into consideration the steadily rising high five average salaries attaching for annuity computation purposes from one year to the next. This item was not included by the administration in its annuity increase plan. However, this Commission is not inclined to object to congressional consideration of this provision.

Section 3 of the bill would liberalize the reduction required to provide annuities to surviving widows or widowers of retiring married employees. Present reduction in employee annuity is 2½ percent of the portion thereof selected for survivor purposes up to \$2,400 and 10 percent of the balance so selected; the proposal would apply the 2½-percent factor up to the first \$3,600 of annuity with the 10-percent figure operating only beyond that point. Whereas existing law allows the surviving widow or widower 50 percent of the retiree's selected annuity amount, or 50 percent of earned annuity in case of death in service, and accords a designated insurable interest survivor 50 percent of the unmarried retiree's reduced annuity, S. 2937 proposes raising this figure to 55 percent in each instance.

The Commission cannot concur in these changes and urges deletion of the entire section 3. The philosophy behind the reduction in the annuity of a retiree who elects to provide a survivorship benefit for his spouse is that the married employee upon retiring is not relieved of all obligation to provide for his spouse's future and should bear, through reduced annuity, at least part of the cost of providing the survivorship protection. The annuity reduction now applied on this amount is so favorable to the retiring employee that it is questionable whether it constitutes a problem in such cases. Conversely, the reduction made does not nearly pay the cost of the spouse's annuity protection provided in return. The major portion of the cost is borne by the Government.

It should be recognized that in any law of this nature there must be a fixed ratio between the benefit payable to the retiring employee with which he must support himself and his spouse, and that due after death to his spouse. The general principle of setting survivor annuity at 50 percent of the retiring employee's unreduced rate was reviewed by the Committee on Retirement Policy for Federal Personnel created by the act of July 16, 1952, to study all Government retirement systems. This Committee, after thorough study and consideration, recommended to Congress that "the basis survivor benefit remain at 50 percent of the retirement annuity earned by the employee to the time of his death."

The increase in benefit disbursements during the next 10 years, if sections 1 and 3 of S. 2937 were enacted, is estimated as follows:

Calendar year	Increase in benefits (millions)			Calendar year	Increase in benefits (millions)		
	Total	Sec. 1	Sec. 3		Total	Sec. 1	Sec. 3
1963.....	\$57	\$56	\$1	1969.....	\$65	\$52	\$13
1964.....	61	58	3	1970.....	65	50	15
1965.....	64	59	5	1971.....	65	48	17
1966.....	66	59	7	1972.....	65	45	20
1967.....	66	57	9				
1968.....	66	55	11	Total.....	640	539	101

The amount of the unfunded liability as of June 30, 1962, is estimated at \$33.7 billion. We estimate that enactment of S. 2937 would increase this amount as follows:

	<i>Billion</i>
Sec. 1-----	\$0.7
Sec. 3-----	.9
Total -----	1.6

The above estimates do not include possible future cost-of-living adjustment of annuities as proposed in section 2 of the bill, since we do not feel qualified to predict future changes in the Consumer Price Index. The first such adjustment could occur no sooner than April 1, 1964. If it were at the minimum rate of 3 percent which is required to trigger adjustment, the first year cost would be about \$29 million.

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

By direction of the Commission:

Sincerely yours,

F. J. LAWTON, *Acting Chairman.*

Mr. MORRISON. The subcommittee will come to order.

I want to say at the outset that this hearing will not necessarily be limited to any particular bill or to any particular matter regarding the retirement system. The subcommittee will use its discretion as to what matters it wishes to consider regarding the entire retirement system. Of course we are going to proceed today in connection with specific bills, but it should be understood that this subcommittee is not restricted to any particular bill or bills. Many factors affecting the retirement system may be considered either in open meeting or in executive session by the subcommittee which might not necessarily be contained in these particular bills or related bills.

This subcommittee, composed of Mr. Olsen, Mr. Addabbo, Mr. Ichord, Mr. Beckworth, Mr. Broyhill, Mr. Barry, Mr. Wallhauser, Mrs. St. George, and myself, has under consideration H.R. 10706, introduced by Mr. Olsen and H.R. 3316 introduced by me, and 44 related bills introduced by other Members of Congress proposing adjustments in the annuities of retired Federal employees.

I ask unanimous consent that the record show at this point the names of those Members of Congress who have introduced legislation of this nature, among whom are a number of members of the Post Office and Civil Service Committee, including Mr. Dulski, Mr. Olsen, Mr. Addabbo, Mr. Broyhill, Mrs. St. George, Mr. Ellsworth, and myself.

(The list referred to follows:)

BILLS TO INCREASE RETIREMENT ANNUITIES

H.R. 296, Mr. Baldwin	H.R. 11494, Mr. Ellsworth
H.R. 998, Mr. Lesinski	H.R. 11506, Mr. Bailey
H.R. 1056, Mr. Multer	H.R. 11568, Mr. Dague
H.R. 1257, Mr. Zelenko	H.R. 11577, Mr. Rhodes of Pennsylvania
H.R. 3298, Mr. Lesinski	H.R. 11585, Mr. Anfuso
H.R. 3314, Mr. Morrison	H.R. 11593, Mr. Glenn
H.R. 3316, Mr. Morrison	H.R. 11652, Mr. Perkins
H.R. 3754, Mr. Fino	H.R. 11600, Mr. Rooney
H.R. 3987, Mr. Lane	H.R. 11640, Mr. Byrne of Pennsylvania
H.R. 4266, Mr. Rogers of Colorado	H.R. 11697, Mr. George P. Miller
H.R. 4301, Mr. Broyhill	H.R. 11754, Mr. Cohelan
H.R. 4302, Mr. Broyhill	H.R. 11782, Mr. Philbin
H.R. 4899, Mr. Dominick	H.R. 11787, Mr. Holland
H.R. 6428, Mr. Roudebush	H.R. 11806, Mr. Dulski
H.R. 6429, Mr. Roudebush	H.R. 11807, Mr. Dulski
H.H. 6444, Mr. Halpern	H.R. 11808, Mr. Dulski
H.R. 6855, Mr. Morrison	H.R. 11833, Mr. Zelenko
H.R. 7453, Mr. Burke of Massachusetts	H.R. 11848, Mr. Tollefson
H.R. 9643, Mr. Dulski	H.R. 12033, Mr. Merrow
H.R. 9689, Mr. Edmondson	H.R. 12086, Mr. Gonzalez
H.R. 9819, Mr. Fulton	H.R. 12285, Mr. Addabbo
H.R. 10701, Mr. Santangelo	H.R. 12462, Mrs. St. George.
H.R. 10706, Mr. Olsen	
H.R. 10425, Mr. Huddleston	

Mr. MORRISON. In my humble judgment, retired civil service employees and their dependents are suffering more severe hardships than any other fixed income group because of the fact that over the years inadequate adjustments have been made in their annuities. It is significant that since June 30, 1956, the average monthly annuity of retired Federal employees has increased only \$28 and the average monthly survivor annuity has increased only \$9 during the same 6-year period.

It should be emphasized that increased living costs more sharply affect retired employees with smaller incomes than any other segment of our population. Retired Federal employees utilize their full income, in most cases, for the bare necessities of life, such as food, clothing, housing and medical expenses, leaving a minimum or nothing to serve as a cushion in cases of emergency.

In view of the fact the legislation which is being considered is of such prime importance to 600,000 annuitants and survivors, I believe it is necessary to devote this morning's session to the testimony of the able Chairman of the Civil Service Commission, the Honorable John W. Macy.

Before Mr. Macy proceeds, I would like to call on Mrs. St. George, a very distinguished member of the full committee and a very able and distinguished member of the subcommittee, to present her statement in behalf of the legislation.

STATEMENT OF HON. KATHARINE ST. GEORGE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mrs. ST. GEORGE. Mr. Chairman, I thank you very much for the courtesy in allowing me to speak first. The only reason I have asked for this is that I have to go to the Rules Committee, where we will hear testimony on the farm bill, at 10:30, and I absolutely have to be

there. Otherwise I certainly would not inject myself ahead of these distinguished people who are to be heard this morning.

Mr. Chairman, the matter of adjustments in Federal civil service retirement annuities has become one of the most complex problems which faces the Congress on a recurring basis every few years—a condition for which the future holds no promise of improvement unless corrective action is taken.

Accordingly, I have introduced a bill, H.R. 12462, which will combine, in a single measure, the two elements that are essential for a sound and lasting solution to this problem.

First, my bill provides for a percentage increase in all existing annuities equal to the percentage of any general salary increase for active Federal employees approved this year, to compensate the annuitants for the increase in living costs, as reflected in the Consumer Price Index of the Bureau of Labor Statistics, since their last annuity increase was granted in 1958. This provision is coupled with another, designed to accord fair and equal treatment to those who retire during the first 5 years after enactment, since otherwise they would have insufficient active service under the salary increase to bring their annuities up to a proper level. Annuities commencing during the 5-year period will be increased by gradually declining percentages of the percentage of any general salary increase granted in 1962.

Those adjustments to match any current salary increase have no relationship, of course, to changes in the general cost of living which may occur in the future. Therefore, the second feature of my bill incorporates into law the logical and highly equitable principle of providing for automatic additional annuity increases to be granted whenever in the future the Consumer Price Index shall have risen by 3 percent or more. Should the general cost of living decline in the future by 6 percent or more—a most unlikely event—there would be corresponding reduction in annuities—but in no case would the reduction exceed the aggregate amount of all annuity increases received under the bill.

Annuity increases under the bill are to be paid from the civil service retirement fund, so that the annuitants and their survivors will receive the increases without the necessity for separate appropriations.

Enactment of my bill will settle once and for all, upon a completely equitable and logical basis, the vexing, time-consuming, and often controversial problems which arise periodically with respect to granting fair treatment to our retired Federal employees and their survivors so that they may maintain a reasonably comfortable standard of living during periods of substantial changes in living costs. And, as you have very wisely pointed out, Mr. Chairman, these people have been neglected and their standard of living has suffered.

I thank you, Mr. Chairman.

Mr. MORRISON. Thank you very much, Mrs. St. George.

We will now hear from our able and distinguished member of the full committee, Congressman Dulski.

**STATEMENT OF HON. THADDEUS J. DULSKI, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. DULSKI. Mr. Chairman and colleagues. I appreciate this opportunity to appear before this subcommittee in support of H.R. 9643, H.R. 11806, and H.R. 11808. These bills deal with increases in annuities of retired Federal employees and with the interchange of credits between the civil service retirement system and the insurance system established by the Social Security Act.

H.R. 9643, which I introduced on January 15, 1962, has actually now been superseded by H.R. 11808, which I introduced on May 17, 1962. H.R. 11808 would amend the Civil Service Retirement Act for retired Federal employees and Members of Congress, who are entitled to civil service retirement, to provide for an increase of 20 percent of their annuity but not in excess of \$1,500 and 10 percent of the remainder of the annuity. The bill provides further that similar increases will be allowed for survivors of employees and Members of Congress.

As Chairman Morrison has so well indicated in his opening statement, the average annuity today is too little either for the annuitant or the survivor. In 1961 the average annuity was \$161 per month and for the survivor \$59 per month. During recent weeks in our full committee's pay legislative hearings we have time and again been told that inflation has today made it almost impossible for a family to exist on less than \$3,600 per year. You can well imagine the inadequacy of a \$161 payment per month. There is need now for a change in pay to our retired Federal employees.

But let us look for a moment at the problem from another aspect. For those people who have retired since October 1, 1956, there has been no increase in their annuity. During this same period of time all Classification Act employees have had two pay raises, totaling 17½ percent. I do not question the basis of the pay raises or their amounts but I am making the point that while their former fellow-employees were receiving these pay increases, justified to a large extent by the increased cost of living, the retired employees' annuities have not been increased.

My office was advised today by the Bureau of Labor Statistics, Department of Labor, that the cost of living index has risen 10.2 percent since July 1956. Again, may I repeat that those people who retired since 1956 have had no increases in their annuities.

The other bill to which I call your attention is H.R. 11806. This bill provides three basic points which I wish briefly to emphasize to you:

1. H.R. 11806 provides a scale for increased annuities for those employees who retire within 5 years after the next general pay raise for classified employees;
2. It provides an annual adjustment in the annuities based on the cost of living as determined by the Civil Service Commission on the basis of the Bureau of Labor Statistics Consumer Price Index for moderate income families in large cities; and
3. H.R. 11806 provides for the transfer of social security credits to the civil service retirement fund or the transfer of civil service credits to the social security system.

In summary, H.R. 11806 will make it possible for annuitants to be protected against the cruel spiral of inflation. It will also provide a greater degree of flexibility within the retirement programs of the Federal Government. I can foresee that this flexibility might make it possible for the Federal Government to recruit and to hold high quality people who might not otherwise be attracted, especially in their later years, to work for the Federal Government. The transferability of retirement credits could be the key to solve some of our recruitment problems in the Government.

Mr. Chairman and fellow colleagues, again may I thank you for this opportunity to appear before you in the interest of a more liberalized program for our Federal employees and for Members of Congress.

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

The committee will now hear from the Honorable John W. Macy, Jr., Chairman of the Civil Service Commission, who is accompanied by Hon. Frederick J. Lawton, Commissioner, and Mr. Andrew E. Ruddock, Director of the Bureau of Retirement and Insurance.

I would like to say at the outset I think we should express our appreciation to the Chairman of the Civil Service Commission, who is a very dedicated and distinguished and able gentleman, and the same applies to Commissioner Lawton and Commissioner Hampton. Perhaps we have imposed on Chairman Macy's time more than the other distinguished members of the Commission. To put it another way, he has been a "regular customer" before this committee for many days.

I know how extremely busy he is and the tremendous duties for which he is responsible, and the very able and dedicated way in which I think he and the members of the Commission have performed their duties. On behalf of the subcommittee members I want to express our deep appreciation and gratitude for his wonderful assistance and cooperation and the valuable information he has given us. Particularly in view of the many duties assigned to him, we are most appreciative of his kind and helpful attitude in wanting to cooperate as far as the time element is concerned, fitting in his time with the full committee as well as the subcommittee and being so generous with his time in appearing frequently before the full committee and now appearing before our subcommittee. We certainly appreciate it and thank you, Mr. Macy.

Mr. BROYHILL. Will the chairman yield?

I want to associate myself with the chairman's remarks. Not only has Mr. Macy been most helpful and cooperative with the committee, but I happen to have a lot of communications and problems to take up with the Civil Service Commission, and I want to publicly state to Mr. Macy that your office has been most cooperative and helpful and I want you to know I appreciate it.

Mr. MACY. Mr. Chairman and Mr. Broyhill, your gracious observations are very much appreciated. My colleagues and I are hopeful that our testimony before your subcommittee and the full committee is helpful in the very important legislative duties you have to perform in this body.

Mr. MORRISON. You may proceed, Mr. Macy.

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

Mr. MACY. Mr. Chairman and members of the committee, I appreciate this opportunity to supplement the Commission's formal reports on the 11 bills under consideration today. Perhaps my count is not entirely accurate. You referred to 43 bills. The Commission has reported on 11 of those. The Commission's report on H.R. 3316, introduced by Mr. Morrison, and the seven bills similar to it was dated May 9, 1962. The report on H.R. 10706, introduced by Mr. Olsen, was likewise dated May 9, while the reports on H.R. 11577 and H.R. 11585, identical to this bill, were dated July 9, 1962. To complete the record I suggest these reports be incorporated in the subcommittee's proceedings.

Mr. MORRISON. Let them be incorporated in the record as requested, without objection.

(The reports referred to follow :)

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

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

DEAR MR. CHAIRMAN: This refers further to your requests for Commission report on the following 16 bills relating to adjustment of annuities under the Civil Service Retirement Act.

H.R. 1056	H.R. 4266	H.R. 6428	H.R. 9643
H.R. 3316	H.R. 4301	H.R. 6429	H.R. 9689
H.R. 3754	H.R. 4302	H.R. 6444	H.R. 9819
H.R. 3987	H.R. 4899	H.R. 6855	H.R. 10425

Thirteen of the bills propose increases; the remaining three (H.R. 4302, 6429, 6444) would insert a requirement in the Retirement Act that thereafter existing annuities be adjusted simultaneously with general adjustments in Federal employees' salaries.

The 13 increase bills vary in approach and size of increase proposed. H.R. 1056 would provide prospective increases only to annuitants on the roll whose benefits commenced prior to October 1, 1956; increases would range from 25 percent up to 30 percent on the first \$1,500 of annuity plus 10 percent on annuity over that amount, with largest increases to those longest on the roll. H.R. 4301 and 6428 would increase all existing annuities by 7.5 percent not to exceed \$500, with increases retroactive to the later of commencing date of July 1, 1960.

Nine of the bills (H.R. 3316, 3754, 3987, 4266, 4899, 6855, 9689, 9819, 10425) are identical in approach. They would prospectively increase all existing annuities under a regressive formula (20 percent increase on annuity up to a given amount, 10 percent on any balance) and insert provisions for increasing annuities in the future whenever (1) a general adjustment of classified or postal salaries is granted, or (2) the standard retirement annuity formula is liberalized. Eight of these bills would apply the 20 percent increase to the first \$1,500 of annuity; H.R. 6855 would apply it to the first \$2,000. Survivors of retirees qualifying for increases would have their annuities increased in accordance with the formula when survivor annuity commenced.

H.R. 9643 would prospectively increase all existing annuities by 10 percent, with the survivors of retirees participating in the increase to have their benefits increased by 10 percent as they come on the roll.

The Commission is unable to concur in any of these bills and recommends that none of them be enacted. Most of the bills call for excessive increases, and even the more conservative bills propose increases not justified by the decrease in

purchasing power, resulting from price rises occurring since annuities of current act annuitants began or since the 1958 increase to annuitants entitled under prior laws. To the extent the proposed increases are excessive in this sense, they would inappropriately gear increases to needs of annuitants—needs not caused by any shortcomings of the retirement system.

This unsound approach to annuity adjustment is accentuated by the regressive 20-10 percentage increase method common to many of the bills. This method, designed to weight increases in favor of annuitants in low-salary, short-service cases, directly conflicts with the objective and design of the staff retirement plan under which benefits are related in amount to the salary and length of service of the employee.

We cannot view as acceptable an approach to annuity adjustment or any increase formula which would undermine the staff concept of the retirement system by altering or destroying the relationship of annuity to salary and service and tend to convert the plan to an approach typical of a welfare system.

In sum, the Commission does not believe that any of these bills offer the needed solution to the annuity adjustment problem.

Disposing of the annuity adjustment issue from time to time, as has been done to date, has resulted in recurrent annuity increase crises in cycles of 3 to 4 years which have required and continue to require an inordinate amount of consideration and attention by the legislative and executive branches of Government. Moreover, a clear line of logical adjustment policy has not emerged from the four major annuity adjustments enacted in 1948-50, 1952, 1955, and 1958; in fact, no two of these adjustments were exactly alike either as to rationale or approach.

With this in mind, the Commission has thoroughly reviewed the annuity adjustment problem in its entirety. We have concluded that a long-range solution can and should be devised and adopted. Legislators concerned with the problem evidently share this view; 12 of 16 House bills pending on the subject contain long-range proposals under which annuities would be automatically and comparably adjusted whenever a general pay increase is granted active employees or when the Retirement Act annuity formula is liberalized for the future.

The Commission concurs in the automatic adjustment approach but we cannot agree that the proposed salary-annuity formula factors provide the most appropriate and relevant basis for adjustments to annuitants. Adjustments in pay scales and improvements in the retirement system for active employees are two important methods available to the Government for attracting and retaining competent personnel. These actions taken to enable the Government to better compete in the labor market have no direct bearing upon the adjustment needs of annuitants. Nor do adjustments to annuitants contribute in any degree toward the objective sought by pay adjustments and retirement liberalizations for the future.

The basic problem of annuitants is that they receive fixed incomes and are adversely affected by increases in the price level. The Commission believes annuity adjustments should be keyed to this basic problem and that an automatic adjustment plan which uses a cost-of-living index as the measure for adjusting annuities will be workable and produce the desired effect—that of adjusting past annuity awards to the present price level, and of providing similar adjustments in the future in these annuities and those hereafter awarded as necessary to maintain their purchasing power in relation to existing prices. Aside from maintaining the purchasing power of annuities, another advantage may accrue from such a plan: The problem of annuity adjustment will not cast its shadow upon questions of pay for active employees or improvements in the retirement system for the future, allowing such matters to be considered and decided on their own merits.

Installation of a cost-of-living adjustment plan requires selection of a base benefit period from which the plan can operate into the future. While it is impossible to say that an absolute equity of benefits ever prevailed under the retirement system at any given time, examination indicates that it is reasonably fair to conclude that as of the close of 1958 benefits of all annuitants under the Retirement Act were as near to being equalized as at any time in recent years. We reached this conclusion upon considering that annuities based on service which ended before October 1, 1956, were increased by 10 percent August 1, 1958, while annuities based on service ending on or after October 1, 1956, were computed under the current liberalized formula but have not been otherwise increased.

Accordingly, the Commission has devised and proposes a cost-of-living annuity adjustment plan which would be based on the following assumptions:

1. Annuities payable at the close of 1958 represent the annuities visualized by the system for annuitants on the roll at that time.
2. Adjustments based on changes in cost of living from and after 1958 will keep their annuities reasonably comparable to the benefits visualized for them by the system.
3. For persons currently retiring, annuities paid at retirement will reflect cost-of-living changes (through the 5-year average salary medium) during their working life, and adjustments thereafter will keep their annuities comparable to the annuity visualized by the system when the benefit began.

Attached is a draft bill embodying our proposed plan, accompanied by sectional analysis and commentary. The Commission looks upon this plan as paralleling, in approach and guiding principles, the administration's long-range Federal salary proposal. The plan is based upon an appropriate objective standard, will operate automatically, is long range and logical, and will provide a continuing solution to the otherwise recurrent annuity adjustment problem. The Commission urges that this bill be enacted into law.

Increases under the bill would be payable from the retirement fund without necessity of prior appropriation. An initial April 1, 1963, increase of 5 percent, if warranted by the price index change between 1958 and 1962, would have a first year cost of about \$45 million and an estimated total cost (present value) of \$500 million.

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

By direction of the Commission:

Sincerely yours,

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

[A BILL To adjust annuities under the Civil Service Retirement Act]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Civil Service Retirement Act is amended by adding at the end thereof the following new subsection:

"(t) The term 'Price Index' shall mean the annual average over a calendar year of the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics."

SEC. 2. Such Act is further amended by redesignating section 18 as 19, and by inserting after section 17 the following new section:

"COST-OF-LIVING ADJUSTMENT OF ANNUITIES

"SEC. 18. (a) After January 1, 1963, and after each succeeding January 1, the Commission shall determine the per centum change in the Price Index from the later of 1958 or the year preceding the most recent cost-of-living adjustment to the latest complete year. On the basis of such Commission determination, the following adjustments shall be made:

"(1) Effective April 1, 1963, if the change in the Price Index from 1958 to 1962 shall have equaled a rise of at least 5 per centum, each annuity payable from the fund which has a commencing date earlier than January 2, 1962, shall be increased by the per centum rise in the Price Index adjusted to the nearest one-tenth of 1 per centum.

"(2) Effective April 1 of any year other than 1963 after the Price Index change shall have equaled a rise of at least 5 per centum, each annuity payable from the fund which has a commencing date earlier than January 2 of the preceding year shall be increased by the per centum rise in the Price Index adjusted to the nearest one-tenth of 1 per centum.

"(3) Effective April 1 of the year after the Price Index change shall have equaled a decline of at least 10 per centum, each annuity payable from the fund and the items enumerated in subsection (b) (3) shall be decreased by the per centum decline in the Price Index adjusted to the nearest one-tenth of 1 per centum, but the amount of such decrease shall not exceed the total amount by which the annuity or enumerated item was increased under authority of this section.

"(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

"(1) Effective from the date of the first increase under this section, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 10(d)), which annuity commenced the day after the annuitant's death, shall be increased as provided in subsection (a) (1) or (a) (2) if the commencing date of annuity to the annuitant was earlier than January 2 of the year preceding the first increase.

"(2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 10(d)), which annuity commences the day after the annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

"(3) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 10(d), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 10(d) shall be increased by the total per centum increase allowed and in force under this section, and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 10(d) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death. Effective from the date of the first increase under this section, the provisions of this paragraph shall apply as if such first increase were in effect with respect to computation of a child's annuity under section 10(d) which commenced between January 2 of the year preceding the first increase and the effective date of the first increase.

"(c) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

"(d) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar."

SEC. 3. Notwithstanding any other provision of law, the benefits resulting from the enactment of this Act shall be paid from the civil service retirement and disability fund.

SECTIONAL ANALYSIS AND COMMENT

DRAFT BILL AMENDING THE CIVIL SERVICE RETIREMENT ACT TO INSTALL AN AUTOMATIC COST-OF-LIVING ANNUITY ADJUSTMENT PLAN

An explanation of the bill by sections follows:

Section 1

Amends section 1 of the Retirement Act to add a new subsection defining the term "price index" to mean the annual average of the monthly Bureau of Labor Statistics Consumer Price Index (all items—U.S. city average) computed over the period of each calendar year.

The annual average is used so that adjustment actions may be based on a firm living cost indicator which will cushion the effects of seasonal and other short-term fluctuations.

Section 2

Inserts a new section 18 in the Retirement Act (old section 18 renumbered 19) embodying the automatic annuity adjustment plan.

Subsection (a) directs the Civil Service Commission to annually determine, after January 1, 1963, and each succeeding January 1, the percentage change in living costs from the later of 1958 or the year preceding the most recent cost-of-living adjustment to the latest complete year. Depending on the price index change, adjustment actions ensue.

Subsection (a) (1) provides that if the price index change from 1958 to 1962 equals a rise of at least 5 percent, an initial increase will be allowable effective April 1, 1963. All annuities which began before January 2, 1962, will be increased by the percent of such rise in the price index, adjusted to the nearest one-tenth of 1 percent.

Subsection (a) (2) provides for automatic increases in annuities effective April 1 of any later year after the percentage change in the price index has equaled a rise of at least 5 percent. All annuities payable from the fund as of

April 1 which commenced earlier than January 2 of the preceding year will be increased by the percentage rise in the price index, adjusted to the nearest one-tenth of 1 percent.

Subsection (a) (3) will require a decrease in annuities adjusted under the plan effective April 1 of any year after the percentage change in the price index equals a decline of at least 10 percent. All annuities payable from the fund as of April 1 will be decreased by the percentage decline in the price index, adjusted to the nearest one-tenth of 1 percent, with no annuity being lowered by more than the amount of increase or increases already received under the plan.

April 1 is selected as the effective date for all adjustments to allow for availability of the Consumer Price Index for December of the preceding calendar year and for the time needed to establish new rates for the annuity roll.

The price index rise in the 3-year period 1958 to 1961 was 3.6 percent. If the rate of rise thus indicated should persist or decelerate in 1962, a rise of 5 percent will not materialize within the 1958-62 period. Should the rate of rise accelerate, however, a rise of 5 percent will have taken place over this period, and authority for a possible April 1, 1963, increase is included.

A minimum rise of 5 percent is specified mainly for administrative reasons; establishing new rates for a roll aggregating upwards of a half-million awards is an expensive operation involving both Commission and Treasury facilities. In the interest of economy such an operation on an annual basis should be avoided if possible. Another major factor is that an increase of less than 5 percent would be relatively meaningless for annuities in the lowest brackets.

Excluding from the possible April 1, 1963, increase those annuities which commenced after January 1, 1962, establishes the pattern to be applied for future adjustments. Retirees will not participate in cost-of-living adjustments until they have been on the roll at least 15 months. This is aimed at minimizing retirements which are timed to anticipated cost-of-living increases.

The liberal treatment resulting from possible April 1, 1963, increases to recent retirees equal to those which would be granted retirees on the roll in 1958 is recognized; thought was given to a schedule with tapered-off increases to those more recently retired, but the idea was discarded as cumbersome and impractical.

Note that as more than one increase is allowed, the total percent of increase on a given annuity will aggregate more than the sum of percentage increases granted. This is because each increase after the first will apply to the annuity as increased by the prior adjustment or adjustments.

Subsection (b) states the general rule that eligibility for an increase is governed by the commencing date of each annuity payable as of the appropriate April 1 effective date, but with these exceptions to the rule:

Under subsection (b) (1), a retiree's survivor (other than a current act child survivor) on the roll as of the first increase, whose annuity started the day after the retiree's death, will receive the initial increase provided the retiree's commencing date of annuity was earlier than January 2 of the year preceding the first increase.

Under subsection (b) (2), the annuity of a retiree's survivor (other than a current act child survivor), which starts the day after the retiree's death and after the effective date of the first increase under the plan will be increased from commencing date by whatever percentage increase the retiree was receiving under the plan at death.

Under subsection (b) (3), a special method is provided for increasing annuities of child survivors under the current act. These annuities are unique in that they are not the product of years of service times percentage of average salary. The child's rate is the lesser of (i) a set percent of average salary or (ii) a dollar amount which cannot reflect living cost salary increments. Thus, for these annuities, the cost-of-living annuity adjustment must be built into the benefit formula. The following provisions are made for child-survivor annuities which commence after the effective date of the first increase under the plan :

Existing formula		Increase provided—Proposed increase
Spouse surviving	No spouse surviving	
40 percent of average salary divided by children. \$1,800 divided by children. \$600-----	50 percent of average salary divided by children. \$2,160 divided by children. \$720-----	Cumulative cost-of-living percent granted after commencing date of retired parent's annuity. Inapplicable to children of employee, because his average salary includes living cost adjustments which pass on to children. Cumulative cost-of-living percent currently authorized. Applicable to children of retiree and employee alike, because salary living cost adjustments can never pass on to children. Cumulative cost-of-living percent currently authorized. Applicable to children of retiree and employee alike, because salary living cost adjustments can never pass on to children.

Provision is made for applying these formula changes to any child's annuity which commenced in the 15-month period before the effective date of the first increase as if such initial increase had been in effect. Resulting rate adjustments would start on the effective date of the initial increase.

The provisions governing eligibility for increases make certain that adjustments in deferred annuities of all types (e.g., employee annuities deferred to age 62, 1948 law widow annuities deferred to age 50) will depend upon the beginning date of the annuity in each case. Supplemental annuity earned by a reemployed annuitant will likewise be increased in respect to the commencing date of the supplemental annuity. A recovered or restored-to-earning-capacity disability annuitant who qualifies for immediate nondisability annuity or for reinstated disability annuity without break in annuity entitlement will receive adjustments in relation to the original commencing date of disability annuity. If disability annuity stops because of recovery or restoration to earning capacity and, after a break in entitlement, disability annuity is reinstated or deferred nondisability annuity is granted, the reinstated or deferred annuity commencing date will govern eligibility for an increase.

The survivor provisions are properly designed to recognize cost-of-living adjustments given a deceased retiree while he was receiving annuity; this is proper because during that time the retiree did not receive living cost salary increments which could pass on to a survivor. This protection extends only to retirees' survivors whose annuities are not deferred; i.e., those whose annuities start the day after the death of the retirees.

Subsection (c) provides that increases shall not apply to annuity amounts purchased at retirement by voluntary contributions. Such amounts represent only investment income rather than earned annuity. They were not raised under the 1958 annuity increase law.

Subsection (d) provides that monthly annuity rates after increase or decrease will be fixed at the nearest even dollar. This is in line with all other annuity computations under the Retirement Act.

Section 3

Makes increases allowable under the amendments payable from the retirement fund. This is necessary because of the restriction contained in the paragraph headed "Civil Service Retirement and Disability Fund" in section 1 of title 1 of the act of August 28, 1958.

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

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

DEAR MR. CHAIRMAN: This refers further to your request of March 19, 1962, for Commission report on H.R. 10706, a bill to amend the Civil Service Retirement Act so as to provide for increases in annuities, eliminate the option with respect to certain survivor annuities, and provide for interchange of credits between the civil service retirement system and the insurance system established by title II of the Social Security Act.

INCREASES IN ANNUITIES

H.R. 10706 would direct an annuity increase concurrent with the first general salary adjustment for classified Government employees thereafter authorized. At that point, each annuity payable from the civil service retirement and disability fund based on service ending before the adjustment became effective will be increased by the percentage average of the adjustment. Those annuities based on service terminating within 5 years after said adjustment will carry an automatic increase according to a stipulated sliding scale.

The bill then provides that the Commission shall, annually after the cited adjustment, automatically increase annuities if cost of living since last annuity increase has risen at least 1 percent. None of the bill's increases would operate as regards that part of any annuity purchased by voluntary contributions.

The Commission is unable to concur in this portion of the bill. There has recently been thoroughly reviewed by the Commissioners the results of an intensive staff study covering the annuity adjustment problem in its entirety. This has led to the conclusion that an automatic adjustment approach for the future is desirable and should be adopted.

The Commission believes, however, that annuity adjustment should not be tied to the pay proposals currently pending before the Congress. The pay legislation proposed by the President is intended primarily to enable the Government to better compete in the labor market and has no direct bearing upon the adjustment needs of annuitants. There is presently being cleared through executive channels a firm and constructive Commission recommendation regarding annuity increases, and we urge that the legislative body carefully study this proposal before considering any other proposed legislation on the subject.

TRANSFER OF SOCIAL SECURITY CREDITS

H.R. 10706 proposes inserting a new section 19 in the Civil Service Retirement Act to accord an employee or Member of Congress, who is not fully insured for social security purposes, an additional 3 months' retirement credit for each quarter of coverage he has under title II of the Social Security Act. This credit would operate for all Retirement Act purposes except in determining average salary and retirement eligibility. The credit authorization would be inapplicable as regards any quarter wherein the employee or Member had performed Government service otherwise allowable for annuity computation purposes. A right to claim the credit would not pass to an employee's or Member's survivor.

This bill conditions allowance of the cited credit upon the person's claiming same and making retirement fund deposit. The amount due for a particular 3 months would be computed by (1) assuming receipt of the (high 5-year) average salary during that entire quarter, (2) applying thereto the retirement deduction percentage then in effect, and (3) deducting from the sum so obtained the employee social security tax respecting his earnings and self-employment income for the quarter. After this deposit is made, the Secretary of Health, Education, and Welfare would transfer to the retirement fund the social security tax involved, including the employers' tax on earnings.

Upon establishing this credit, the employee or Member retiring at or after age 62 would immediately receive the resulting higher annuity, while annuity of the individual who retires earlier would not reflect the added credit until he reaches that age.

As an extreme situation, this proposal could accord 3 months' retirement credit for as little as 1 day of self-employment or service for an outside employer. On a general basis, however, allowance of credit for non-Federal service as pro-

posed is extremely undesirable. The Civil Service Retirement Act is the Government's staff retirement plan, intended to cover and provide benefits for career Government employees and their survivors. Allowance of credit for outside service of any kind is entirely foreign to the system's concept, and the Commission has on numerous occasions advised Congress of the detailed reasons why it cannot concur in proposals for such credit.

TRANSFER OF CIVIL SERVICE CREDITS

The new section 20 to the Retirement Act proposed by H.R. 10706 would permit the individual, who has had Federal service of less than 5 years when he becomes eligible for benefits under title II of the Social Security Act, to have such service credited for social security purposes. Deposit and transfer-of-funds prerequisites to such credit are outlined in the proposal. If an employee dies, his eligible survivors may effect the credit transfer.

Since this proposed section involves mainly social security matters—in effect the reverse of proposed section 19—its provisions should properly amend the Social Security Act rather than the Retirement Act.

This Commission has long been aware of the problems resulting from lack of coordination between the civil service retirement and social security systems. We firmly believe that each year of an individual's working life should fit into and be counted toward his eventual retirement benefits. This should operate whether or not the employee remains with one employer throughout his entire career.

Congress in 1952 created the Committee on Retirement Policy for Federal Personnel and directed that it study (among other things) the relationships of Federal retirement systems to such general systems as old-age and survivors insurance. The committee found lack of coordination between the civil service retirement system and the old-age, survivors, and disability insurance system to be a major Federal employee retirement problem.

The administration in January 1956 submitted to Congress draft legislation to carry out the recommendations of the committee. This was promptly introduced by Senator Carlson as S. 3041. Briefly, it would have placed Federal employees generally under both systems. Contributions would have been divided between the systems. Survivor protection would have been provided by the social security system. No change was proposed in annuity benefits payable under the Retirement Act, except that annuity would be reduced when an annuitant was also eligible for social security payments. It was estimated that the income of a retired employee from the combined sources would be about 8 percent higher than that payable under the retirement system alone. Widespread employee and employee organization opposition developed, and no action was taken on the proposal.

The Commission still believes that coordination somewhat along that line is the proper solution to the problem. By report of March 8, 1960, the Commission did advise your committee that it would not object to enactment (as a possible step in the right direction) of H.R. 2402, which proposed transfer of certain Federal credits to the social security system, provided the Department of Health, Education, and Welfare saw no important objections from their standpoint. That Department reported its serious objections to the bill. Similar proposal (H.R. 4902) is pending in the current Congress.

In its report on the bill which became the Social Security Act Amendments of 1960, the House Ways and Means Committee urged that the Federal agencies concerned accelerate their efforts in finding a workable and sound solution to this problem. Until this study is completed and its results transmitted to Congress, the Commission urges that legislation in this area, which could only partially remedy the situation and would cause administrative difficulties out of proportion to its value, be not enacted.

SURVIVOR ANNUITY ELECTION

The Civil Service Retirement Act now allows a retiring married employee to share all or any part of his regular life annuity with his wife (or husband), if surviving. The amount of his annuity so shared is slightly reduced to partly compensate for the survivor benefit. Section 2 of H.R. 10706 would (1) eliminate entirely the designating of a part of the annuity in any case, (2) allow the retiring female employee to share her total annuity with a nondependent husband, and (3) make automatic the sharing of total annuity with a wife or dependent husband.

The Commission sees no justification for this proposal. Each retiring married male employee who elects life annuity is informed that this office is effecting tentative award on that basis, given full facts regarding the survivor option, and allowed a reasonable period to affirm his election or make a change. Over 96 percent of the retirees in this category now choose the survivor plan. It is reasonable to assume that the small percentage who select full annuity for themselves have valid reasons for so doing, such as the potential survivor's economic status, the spouse's state of health even to a deathbed situation, etc. Requiring all retirees to suffer the necessary reduction in entire annuity rate to benefit the unusual case which may turn out adversely does not appear warranted.

Note should be taken of the fact that the bill contains no provision exempting its resulting retirement benefits from the restriction on use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85-844, 72 Stat. 1064.

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

By direction of the Commission:

Sincerely yours,

(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, House Office Building*

DEAR MR. CHAIRMAN: This refers further to your requests for Commission reports on H.R. 11577, H.R. 11585, H.R. 11640, H.R. 11701, H.R. 11782 and H.R. 11806, bills to amend the Civil Service Retirement Act so as to provide for increases in annuities, eliminate the option with respect to certain survivor annuities, and provide for interchange of credits between the civil service retirement system and the insurance system established by title II of the Social Security Act.

INCREASE IN ANNUITIES

These bills would direct an annuity increase concurrent with the first general salary adjustment for classified Government employees thereafter authorized. At that point, each annuity payable from the civil service retirement and disability fund based on service ending before the adjustment became effective will be increased by the percentage average of the adjustment. Those annuities based on service terminating within 5 years after said adjustment will carry an automatic increase according to a stipulated sliding scale.

The bills then provide that the Commission shall, annually after the cited adjustment, automatically increase annuities if cost of living since last annuity increase has risen at least 1 percent. None of these increases would operate as regards that part of any annuity purchased by voluntary contributions.

The Commission is unable to concur in this portion of the bills. There has recently been thoroughly reviewed by the Commissioners the results of an intensive staff study covering the annuity adjustment problem in its entirety. This has led to the conclusion that an automatic adjustment approach for the future is desirable and should be adopted.

The Commission believes, however, that annuity adjustment should not be tied to the pay proposals currently pending before the Congress. The pay legislation proposed by the President is intended primarily to enable the Government to better compete in the labor market and has no direct bearing upon the adjustment needs of annuitants.

We suggest for consideration and approval instead, the administration-approved annuity adjustment plan which the Commission submitted to your committee as a proposed substitute for 16 House bills relating to annuity increases (H.R. 1056, H.R. 3316, et al.) by report dated May 9, 1962. The administration proposal for annuity adjustment differs from these bills in detail rather than in purpose; adjustments under the proposal would be automatic, with the main difference being that the first as well as later increases would be related to the Consumer Price Index.

TRANSFER OF SOCIAL SECURITY CREDITS

The bills propose inserting a new section 19 in the Civil Service Retirement Act to accord an employee or Member of Congress, who is not fully insured for social security purposes, an additional 3 months' retirement credit for each quarter of coverage he has under title II of the Social Security Act. This credit would operate for all Retirement Act purposes except in determining average salary and retirement eligibility. The credit authorization would be inapplicable as regards any quarter wherein the employee or Member had performed Government service otherwise allowable for annuity computation purposes. A right to claim the credit would not pass to an employee's or Member's survivor.

These bills condition allowance of the cited credit upon the person's claiming same and making retirement fund deposit. The amount due for a particular 3 months would be computed by (1) assuming receipt of the (high-5-year) average salary during that entire quarter, (2) applying thereto the retirement deduction percentage then in effect, and (3) deducting from the sum so obtained the employee social security tax respecting his earnings and self-employment income for the quarter. After this deposit is made, the Secretary of Health, Education, and Welfare would transfer to the retirement fund the social security tax involved, including the employers' tax on earnings.

Upon establishing this credit, the employee or Member retiring at or after age 62 would immediately receive the resulting higher annuity, while annuity of the individual who retires earlier would not reflect the added credit until he reaches that age.

As an extreme situation, this proposal could accord 3 months' retirement credit for as little as 1 day of self-employment or service for an outside employer. On a general basis, however, allowance of credit for non-Federal service as proposed is extremely undesirable. The Civil Service Retirement Act is the Government's staff retirement plan, intended to cover and provide benefits for career Government employees and their survivors. Allowance of credit for outside service of any kind is entirely foreign to the system's concept, and the Commission has on numerous occasions advised Congress of the detailed reasons why it cannot concur in proposals for such credit.

TRANSFER OF CIVIL SERVICE CREDITS

The new section 20 to the Retirement Act proposed by H.R. 11577 et al. would permit the individual, who has had Federal service of less than 5 years when he becomes eligible for benefits under title II of the Social Security Act, to have such service credited for social security purposes. Deposit and transfer-of-funds prerequisites to such credit are outlined in the proposal. If an employee dies, his eligible survivors may effect the credit transfer.

Since this proposed section involves mainly social security matters—in effect the reverse of proposed section 19—its provisions should properly amend the Social Security Act rather than the Retirement Act.

This Commission has long been aware of the problems resulting from lack coordination between the civil service retirement and social security systems. We firmly believe that each year of an individual's working life should fit into and be counted toward his eventual retirement benefits. This should operate whether or not the employee remains with one employer throughout his entire career.

Congress in 1952 created the Committee on Retirement Policy for Federal Personnel and directed that it study (among other things) the relationships of Federal retirement systems to such general systems as old-age and survivors insurance. The Committee found lack of coordination between the civil service retirement system and the old-age survivors, and disability insurance system to be a major Federal employee retirement problem.

The administration in January 1956 submitted to Congress draft legislation to carry out the recommendations of the committee. This was promptly introduced by Senator Carlson as S. 3041. Briefly, it would have placed Federal employees generally under both systems. Contributions would have been divided between the systems. Survivor protection would have been provided by the social security system. No change was proposed in annuity benefits payable under the Retirement Act, except that annuity would be reduced when an annuitant was also eligible for social security payments.

It was estimated that the income of a retired employee from the combined sources would be about 8 percent higher than that payable under the retirement

system alone. Widespread employee and employee organization opposition developed, and no action was taken on the proposal.

The Commission still believes that coordination somewhat along that line is the proper solution to the problem. By report of March 8, 1960, the Commission did advise your committee that it would not object to enactment (as a possible step in the right direction) of H.R. 2402, which proposed transfer of certain Federal credits to the social security system, provided the Department of Health, Education, and Welfare saw no important objections from their standpoint. That Department reported its serious objections to the bill. Similar proposal (H.R. 4902) is pending in the current Congress.

In its report on the bill which became the Social Security Act Amendments of 1960, the House Ways and Means Committee urged that the Federal agencies concerned accelerate their efforts in finding a workable and sound solution to this problem. As an outgrowth of this study, the Commission anticipates it will present draft legislation to resolve the Retirement Act-social security problem early in the 88th Congress. We urge, accordingly, that legislation in this area await submission of this proposal which will be designed to provide a full remedy with a minimum of administrative difficulties.

SURVIVOR ANNUITY ELECTION

The Civil Service Retirement Act now allows a retiring married employee to share all or any part of his regular life annuity with his wife (or husband), if surviving. The amount of his annuity so shared is slightly reduced to partly compensate for the survivor benefit. Section 2 of the bills would (1) eliminate entirely the designating of a part of the annuity in any case, (2) allow the retiring female employee to share her total annuity with a nondependent husband, and (3) make automatic the sharing of total annuity with a wife or dependent husband.

The Commission sees no justification for this proposal. Each retiring married male employee who elects life annuity is informed that this office is effecting tentative award on that basis, given full facts regarding the survivor option, and allowed a reasonable period to affirm his election or make a change. Over 96 percent of the retirees in this category now choose the survivor plan. It is reasonable to assume that the small percentage who select full annuity for themselves have valid reasons for so doing, such as the potential survivor's economic status, the spouse's state of health even to a deathbed situation, etc. Requiring all retirees to suffer the necessary reduction in entire annuity rate to benefit the unusual case which may turn out adversely does not appear warranted.

Note should be taken of the fact that these bills contain no provision exempting their resulting retirement benefits from the restriction on use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85-844, 72 Stat. 1064.

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

By direction of the Commission:

Sincerely yours,

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

Mr. MACY. I would also like to mention the fact that Mrs. St. George's bill, H.R. 12462, was received subsequent to the preparation of my testimony but that the provisions of it, as she cited earlier, are relevant to the testimony we will be offering.

These two groups of bills each deal with adjustment of annuities under the Civil Service Retirement Act, but with different approaches.

H.R. 3316 and similar bills propose (1) an immediate increase in all annuities of 20 percent of the first \$1,500 (the first \$2,000 in one bill), plus 10 percent of any annuity over that amount, and (2) future automatic increases corresponding to any general rise in postal or classified salaries or any liberalization of the retirement annuity formula.

H.R. 10706 and two duplicate bills propose (1) an initial increase equal to the average increase of the first general pay legislation to be

enacted, to become effective at the same time as the pay raise, and (2) future increases annually thereafter, equal to the rise in living costs, in each year the Bureau of Labor Statistics Consumer Price Index shows an increase of at least 1 percent in the cost of living.

The Commission appreciates that each of these proposals has the virtue of recognizing the need for a permanent solution to the annuity adjustment problem. The second proposal, in fact, uses an approach which we endorse—that of applying a policy of periodic adjustment based on variations in the cost of living. Yet both proposals we believe have shortcomings and, in our opinion, neither offers the best possible answer at this time.

In reaching its position, the Commission carefully considered the history of adjustments in annuity rates. These rates have been adjusted in two ways: (1) Recomputation by retroactive application of annuity formula improvements adopted for future retirements, and (2) by direct dollar or percentage increases in current annuities.

Major adjustments by recomputations were approved in 1926, 1930, and 1946. I might add, Mr. Chairman, that the original act was passed in 1920, so that these were adjustments that took place during the first 26 years of the life of the Retirement Act. When the annuity formula was liberalized in 1948, and later in 1956, the annuity roll had grown so large that recomputation was impractical. Since 1948, annuitants' adjustments have been provided by the direct dollar or percentage increase method.

Under enactments of 1948-50, 1952, 1955, and 1958, four increases were granted annuitants with benefits based on service ending before October 1, 1956, the effective date of the current liberalized act. Except for those with higher than average annuities, increases to these pre-1956 annuitants, comprising about half the current annuity roll, have more than kept pace with the rise in cost of living.

The other half of the roll is made up of annuitants with benefits based on service which ended on or after October 1, 1956. Their annuities are computed under the current improved formula, but have not been otherwise increased.

Against this background, the Commission is unable to concur in either of the proposals embodied in these bills for three main reasons:

1. The immediate increases they propose are excessive in terms of the amount needed to compensate for the decrease in purchasing power of the annuity dollar which has occurred since the latest annuity increase in 1958.

2. The sliding scale 20-10-percent increase method used by one proposal inappropriately weights increases in favor of low-salary, short-service cases. This approach directly conflicts with the objective of the retirement system which is to relate benefit amounts to the salary and length of service of the employee, and would tend to depart from the career incentive retirement system.

3. These proposals, in differing ways, inappropriately relate annuity increases for retired employees to pay adjustments for active employees. Adjustments in pay scales and improvements in the retirement system for active employees are two methods available to the Federal Government in attracting and retaining competent personnel. These actions taken to enable the Gov-

ernment to compete effectively in the labor market have no direct bearing upon the conditions affecting employees who have already retired. Nor do adjustments in annuity rates contribute in any degree toward the objective sought by pay adjustments and retirement liberalizations for the future.

The Commission suggests for consideration and approval instead, the administration-approved annuity adjustment plan submitted in full detail with its report of May 9, 1962, on H.R. 3316 and related bills.

The administration proposal differs from these bills in detail rather than in purpose or objective. It would relate the first as well as future increases to the Consumer Price Index. Measurement for annuity adjustment would be in terms of the percentage change in price levels occurring during the period from a base calendar year to the latest complete calendar year.

The plan uses 1958 as its initial base year, a starting point which will provide continuity of adjustment to pre-1956 annuitants since their annuities were last increased August 1, 1958. For current law annuitants, it will start adjustment from a time when price rises began eroding the purchasing power of their annuities computed under the liberalized annuity formula in effect since October 1, 1956.

Adjustments under the administration proposal will be automatic and become effective April 1 of any year following a year for which the Consumer Price Index shows an increase in cost of living of at least 5 percent since the year 1958 or the year of the most recent annuity increase, whichever is later. The earliest possible date for the first automatic increase would be April 1, 1963, and would occur then if the cost of living had increased by 5 percent or more since 1958. The increase in the Consumer Price Index from 1958 to 1961 has been 3.6 percent. The first as well as later increases would be in a percentage equal to the percentage rise in the Consumer Price Index.

The Commission urges enactment of the administration proposal. It will provide a long-range solution to a recurring problem. It will relieve annuitants, for the first time, of continuing uncertainty concerning future annuity adjustments. It will give them the peace of mind that comes with knowing that the Government will authorize adjustments to keep pace if the cost of living rises. It retains the retirement system's intended relationship of annuity to service and salary.

Five percent of current annuity has been selected as the minimum increase which is large enough to be of real benefit to the recipients, yet small enough to retain a reasonable relationship to cost of living. The administrative costs involved in adjusting an annuity roll of about 600,000 retired employees and survivors at intervals which meet these objectives would not be excessive.

I would like to add at this point that there is also included in the administration plan a provision whereby in the event that the cost of living should drop, as reflected by the Consumer Price Index, the annuity rates would be adjusted downward when a drop equivalent to 10 percent was reached, but that the reduction would never go below the earned level of annuity as originally established. I cite this because I think it is important for us to recognize that although the general trend in the cost of living has been upward over the years, there is always the possibility that there may be some reduction.

I would like to turn to the items other than annuity increase which are proposed by H.R. 10706 and two duplicate bills.

We do not believe that the proposal for transfer of credits between the civil service retirement and the social security systems offers the best possible solution to the problems it seeks to solve. Since 1956 the Commission has consistently favored social security coverage for Federal employees, with the civil service retirement system continuing to operate independently but as a supplementary staff plan. Coordination of this type would give Federal employees the basic social security protections enjoyed by private industry employees, while retaining the civil service retirement system as a part of the Government's personnel program utilized to help recruit and retain the best qualified employees and to reward careers in the civilian service of our country. Most State retirement systems have been successfully coordinated with social security on this basis.

These bills propose a transfer of credits in two directions. The Federal employee who has social security wage credits for prior service, but lack sufficient quarters to be fully insured, would be permitted to make deposit to the civil service retirement fund and receive 3 months' retirement credit for annuity computation purposes for each quarter of his social security coverage. The Secretary of Health, Education, and Welfare would then transfer the social security tax to the retirement fund.

This proposal could result in the award of retirement annuity for prior self-employment or employment in private industry. The Commission cannot favor this approach. Granting retirement credit for non-Government service would violate a fundamental concept of the staff retirement plan that all benefits stem from the employer-employee relationship between the Government and the individual.

The proposal would also permit transfer of credit for Federal employment to the social security system for an employee who lacks the 5 years of Federal service necessary to qualify for retirement annuity. Funds would be transferred from civil service retirement to social security to cover the service to be credited.

In 1960 the Civil Service Commission advised this committee that it would not object to a similar proposal then pending, provided the administrators of the social security system did not object. The Department of Health, Education, and Welfare submitted an adverse report, and no action was taken by Congress at that time.

The Commission's no-objection position in 1960 was based on a belief that, while transfer of credit for Government service for social security purposes offered a less-than-adequate solution to the problems existing, it might be a step in the desirable direction of full coordination between the two systems. Commission leadership has, since 1956, been on record as favoring full coordination in order to facilitate mobility of employment between Government and private industry, and to provide adequate survivor protection to the families of short-service Federal employees.

In January 1956, the Eisenhower administration submitted to Congress draft legislation designed to achieve retirement-social security coordination. Briefly, this draft would have extended social security coverage and protection to Federal employees generally. Contributions would have been divided between the two systems.

Retirement annuity would have been reduced when the employee also received social security old-age benefits. No legislative action was taken on this proposal.

The present Commission also believes full coordination is the proper solution to the interrelation problem between systems. In its report on the bill which became the Social Security Act Amendments of 1960, the House Ways and Means Committee urged that Federal agencies concerned step up their efforts in finding a workable, sound solution to this problem. We are currently cooperating with the Department of Health, Education, and Welfare in an effort to develop and present a fully workable coordination plan. We are considering two possibilities which have been developed since 1956. One would offer each present employee a one-time choice of coming under a coordinated system or of continuing in an unchanged staff retirement plan. The second would reduce the retirement annuity only with respect to service performed after the effective date of coordination.

I would urge the committee and the Congress to defer consideration of the transfer-of-credit idea until we have completed our efforts and are in position to present a plan for full coordination, which we expect will be early in the 88th Congress.

The Commission can find no need for the final proposal in these three bills. It would make survivor annuity automatic, rather than by election at retirement, in the case of all retiring married male employees and of those retiring married female employees whose husbands are dependent. The election privilege would be retained only for those married females who at retirement have nondependent husbands.

The problem at which the proposal is directed has been, we believe, entirely solved by administrative action of the Commission. A review of our experience for the fiscal year 1958 showed that only 83 percent of married men at retirement had chosen reduced annuity with survivor protection for their wives. This meant that after the deaths of the 17 percent who elected full annuity, no continuing benefits would be payable to their widows, if surviving. In view of the relatively small annuity reduction imposed for survivor protection, and the known probability that wives generally outlive their husbands, we suspected these might be a lack of full understanding by those who were passing up survivor protection.

In November 1958 we began writing to each retiring married male whose application indicated election of unreduced life annuity, giving him exact rates of annuity with and without survivor protection, and advising that his election would be accepted only if confirmed. Three out of every four responded with a firm election of reduced annuity with benefit to widow.

In 1961, the most recent fiscal year of our experience, over 96 percent of all eligible retiring married men elected survivor protection for their wives, and the remaining small percentage made a final decision after being furnished full information, including rates of annuity with and without survivor protection. In view of this experience it is our opinion that the very few who declined survivor protection did so for valid reasons and that the present right of individual election should be retained for all retiring employees.

Commissioner Lawton, Mr. Ruddock, and I will be glad to respond to any questions you may have.

Mr. OLSEN (acting chairman). Thank you, Mr. Macy. Any questions?

Mr. ICHORD. Mr. Macy, I think I can adopt at least a general attitude toward this bill if you will answer four or five questions for me.

First, can you briefly tell me how the levels of remuneration for our civil service employees compare with comparable positions in private enterprise?

Mr. MACY. I can answer that and I will try to be as brief as possible.

For approximately 600,000 Federal employees under the wage board system the rates of pay are comparable to prevailing rates in the locality for the same positions. These rates are determined by an annual survey in about 200 different localities.

For the 1,600,000 employees under statutory salary systems, the adjustments are made by legislative action at varying intervals. The administration has proposed a plan for making the salary systems also comparable but on a nationwide rather than a local basis. This is now possible because the Bureau of Labor Statistics conducts an annual survey in 80 metropolitan areas. The results of these surveys—and I think this is responsive to your question—show that for the most part Federal positions in the lower few grades are just about comparable with private enterprise, but from the \$5,000 level up, the Government increasingly falls behind private enterprise on the rates that it pays.

Mr. ICHORD. Perhaps I did not make myself clear. I specifically wanted you to answer on retirement.

Mr. MACY. On retirement, the Federal system is probably somewhat more liberal than staff retirement systems that are provided in private enterprise. It is very difficult to generalize with respect to retirement systems in industry because they vary substantially from company to company and most of them are related to social security.

Mr. ICHORD. The distinguished gentleman from Louisiana has stated in his opening remarks that—

It is significant that since June 30, 1956, the average monthly annuity of retired Federal employees has increased only \$28 and the average monthly survivor annuity has increase only \$9 during the same 6-year period.

Are you able to generally tell us how much comparable positions have increased during that same 6-year period?

Mr. MACY. Comparable positions outside the Government?

Mr. ICHORD. Yes, outside the Government.

Mr. MACY. I do not have that information. Perhaps Mr. Ruddock can give the facts on that.

Mr. ICHORD. I want percentage increases, if possible.

Mr. RUDDOCK. I have it with respect to two other systems in percentage, but not from the year 1956. The social security system has had increases since 1954 of 13 percent. The railroad retirement system since 1956 has had an increase of 10 percent.

Mr. ICHORD. What would the percentage increases be under the civil service retirement system?

(Discussion off the record.)

Mr. ICHORD. Will you tell me what percentage increase for retired employees and what percentage increase for survivors occurred during the 6-year period?

Mr. RUDDOCK. You are speaking of the increase in the average annuity?

Mr. ICHORD. That is right. I am speaking of the average annuity. The Chairman gave the average increase in dollars, \$28 for retired Federal employees, and \$9 for survivors. I would like to have it in percentages.

Mr. RUDDOCK. An increase of \$28 over a base figure of \$133 is an increase of 21 percent.

Mr. ICHORD. Twenty-one percent?

Mr. RUDDOCK. Yes. For the survivor annuity, an increase of \$9 over a base of \$50 is 18 percent.

Mr. ICHORD. Can you tell me, during the same 6-year period, what has been the percentage increase in the cost of living?

Mr. MACY. During the 6-year period from 1956, cumulative through 1961, would be 10.1 percent.

Mr. ICHORD. 10.1 percent?

Mr. MACY. Yes.

Mr. ICHORD. What percentage increase will this bill average? What percentage increase will this bill give us?

Mr. MACY. By this bill you mean H.R. 3316?

Mr. ICHORD. Yes.

Mr. MACY. This provides for an increase of 20 percent on the first \$1,500—

Mr. ICHORD. Do you have the average increase?

Mr. MACY. Would you like to have that for the record?

Mr. ICHORD. Yes, give it to me later on. That will be all.

Thank you very much.

(The information requested follows:)

The Civil Service Commission advises that H.R. 3316, if enacted, would produce an average increase of 16.5 percent of the current rate of annuity.

Mr. OLSEN. Mr. Broyhill, have you any questions?

Mr. BROYHILL. Yes, Mr. Chairman.

Mr. Macy, I was rather surprised at your statement where you said:

Except for those with higher than average annuities, increases to these pre-1956 annuitants comprising about half the current annuity roll have more than kept pace with the rise in the cost of living.

I realize we have been rather hodgepodge in making these adjustments for annuitants over the period of years. Yet I have here a list of increases granted active employees since 1945 and it shows that we have acted on active employees in granting increases six times since 1948 and four times for the annuitants since 1948. Now, just comparing those two lists of activities on the part of Congress, it certainly does not reveal that the annuitants have received more liberalized treatment than the active employees.

Now I support several portions of your statement where you point out that you had another problem or another responsibility in considering increases for active employees, keeping it competitive with other employment in free enterprise and yet with those on the annuity that is not a problem, it is more of a humane aspect or a moral responsibility and not one of a competitive responsibility.

I was amazed at the statement that they have more than kept pace with the cost of living.

Mr. MACY. Would it be helpful to you if I cited some specific figures on that?

Mr. BROYHILL. Yes.

Mr. MACY. Let us take the annuitant who receives \$150 a month, which is pretty close to the average. He retired in 1948, which was the year that you cited, and he has had his annuity increased by 41.3 percent over the intervening 13 years, whereas the cost-of-living increase since 1948 is 22.19 percent. I think we need to remember that the original annuity with which he retired in 1948 was based upon his period of service and his salary. This was the earned annuity. So Congress by its action since 1948 has increased that annuity by 41.3 percent, even though the cost of living is up 22.19 percent.

Now let's take another date just to give this some further reference. Let's take the same annuity size, \$150, and take a retiree from the year 1952—that is a year you will recall very well I am sure. The increase there was 22.7 percent—increase since 1952—and the cost-of-living increase during that period is 12.4 percent. So it is only for those who have higher annuities, those above \$200 or \$250 a month who have not kept pace. Most of the increases have had the same regressive feature upon which we were commenting in these bills plus, in most instances, a fixed-dollar ceiling, so that those below \$200 have, during this period of time, as a result of the congressional action for increases, kept pace, or improved upon cost of living.

Now I make that comment but come back to the point you are making. We feel that it is highly desirable for the Federal Government to take a position of national policy that the earned annuity at the time of retirement be sustained in terms of purchasing power over the life of the annuity. This is a proper position for the Federal Government to take.

Mr. BROYHILL. Let me try to develop that a little bit more, using these examples you just gave. Take the case of a person retired in 1948—I don't know what rating he was hired at, in using your hypothetical example—

Mr. MACY. That would be the average. He probably retired at what, about a grade 9?

Mr. BROYHILL. Let's use grade 9 then. Let's compare what an annuitant who retired at grade 9 in 1948 is receiving today and compare that with what a GS-9 with the same number of years service would receive if he retired today.

The GS-9 retiring today—now he has received no increase in his annuity, we are just now retiring him—he would receive more, would he not, than the annuitant who retired back in 1948 who had received all these increases over a period of years?

Mr. MACY. Yes. The individual at grade 9 retiring today would have his annuity based upon the salary level and the length of service accumulated up to today.

Mr. BROYHILL. So he would receive more.

Mr. MACY. He would receive more. He would also be the beneficiary of a liberalization of the formula that took place by act of Congress in 1956.

Mr. BROYHILL. Now going back to what you stated about purchasing power, relative purchasing power, and again using this hypothetical case, that GS-9 who retired in 1948, let us say, put the same

number of years and the same number of purchasing power years and purchasing power dollars into the Federal service as a GS-9 retiring today or tomorrow and yet the GS-9 retiring today or tomorrow is receiving more purchasing power dollars in his years of retirement than the one who retired in 1948.

Mr. MACY. Yes, and it seems to me this is equitable because the individual who served during the period prior to 1948 earned his annuity under the act of Congress and the public policy that existed during his career and an annuity was computed and that annuity it seems to me is the right that he earned.

Mr. BROYHILL. In terms of man-hours of purchasing power, did he put more into it?

Mr. MACY. No, but it seems to me the differences in time and the differences in economic conditions and labor market conditions between the two periods of time are the factors that make the 1948 retiree be in a different position from the 1962 retiree, and that we are mixing in here active employment considerations with the point that seems to us to be most valid; namely, the sustaining of purchasing power that was earned up to the point of retirement and is reflected in the initial annuity, plus adjustments based upon increases in the Consumer Price Index.

Mr. BROYHILL. You are familiar with the retirement system for the Metropolitan Police force of the District of Columbia and the Fire Department for the District of Columbia. They have a system that I believe has been in existence since 1920. Anyway, it is a number of years old. But any increase that the active employees receive is automatically passed on to those on retirement, regardless of how many years they are on retirement. Up until 1956, the retired policeman and fireman received 50 percent of what his position would receive in the active force and that has been automatic—1930, 1940—increases were automatically passed on.

Therefore, a police private or corporal or sergeant retiring in the year of our Lord 1962 was receiving no more purchasing power, no higher standard of living than the policeman, private, or sergeant who retired in 1950. So there is precedent for providing former civil service employees the same purchasing power for their years of service as those who retired in later years, granted that we have improved it, liberalized it, and modernized it.

Mr. ICHORD. You are using purchasing power rather than dollars.

Mr. BROYHILL. Yes, because obviously those retired in 1948 put less dollars in but those dollars bought more than the retiree who is retiring today.

I subscribe, incidentally, to the comment you made in your statement where we had in a way been trying to take care of the problem of the low-income annuitants, which we should have done. We have discriminated against those who put in longer years of service.

Mr. MACY. Actually, you see, you are favoring the short-service man who in many instances has established an eligibility for social security because of the short term that he has been covered by the civil service retirement.

Mr. BROYHILL. With Congress' sympathy for the low-income annuitant, we have not properly taken care of those who have rendered to their Government 25, 35, or 40 years of service.

Mr. MACY. But you see you are taking care of length of service in your annuity computation formula, because you have a percentage of pay for each year of the individual's service. So that even though the individual may have had a relatively low salary, he gets a greater percentage of that salary based upon his period of service so that in many cases where there is long service, the annuity level tends to move up the scale.

In response to your point on the policemen and the firemen, our view would be, what you are doing in a plan such as that is taking current contributions from active employees and from the Federal Government's contribution and paying it out to those who retired previously.

Mr. BROYHILL. That is what we are doing under social security.

Mr. MACY. Where you have advanced your rate, but it seems to me it is a much more rational and logical approach to say that the Federal Government has provided a staff retirement plan, in which the individual earns annuity during his active period, based upon the salary he has received and the number of years that he has worked, and that once he retires, the Government's obligation is to preserve the purchasing power of the amount that he earned. It seems to me that if you relate this to current salaries you are injecting an additional factor that goes beyond the Government's obligation.

Mr. BROYHILL. I will agree with you on that, Mr. Macy, but we have not in fact kept the civil service retirement fund the same as the funds in private insurance companies.

Mr. MACY. No. We have a \$33 billion unfunded liability at the present time.

Mr. BROYHILL. There has been a desire expressed to keep it as actuarially sound as that which would be required of a private insurance company.

I think we are in the gray zone, somewhere in between keeping it actuarially sound and that of social security, where it is not actuarially sound, where those who are working today pay for those on retirement today and we hope we will have enough people producing in years to come to take care of the ones now needing it.

Mr. MACY. We have such a substantial number of people on the annuity rolls—600,000—and this will rise at the rate of about 50,000 a year—that we need to recognize the cost aspect of this as well. We have computed that if you were to have a 5 percent increase based upon cost of living as we have computed it here, that the first-year cost for the present annuity roll would be about \$45 million and the actuarially computed cost of that increase extended over the life of the annuitants would be about \$500 million. So even in this proposal—we are talking in terms of a substantial obligation against the fund, without any additional income from the beneficiaries or from the employing departments to reinforce the fund or replenish the fund for this type of payment.

Now we can compute what the cost would be under H.R. 3316, but you can see since that provides for increases of 20 and 10 percent, the increase is going to be substantially more than the figures that I have cited.

Mr. BROYHILL. I didn't intend to minimize the problem in properly funding this retirement fund, but you did agree, did you not, that the civil service employee—let me elaborate a little more on the hypo-

thetical case—the civil service employee GS-9 who has had 35 years' service retiring today at the age of 60 will receive a greater benefit than a GS-9 with 35 years' service who retired in 1948 or 1950 or 1952?

Mr. MACY. In absolute terms he will.

Mr. BROYHILL. But they both put in the same number of years of service.

Mr. MACY. Yes, but a different times.

Mr. BROYHILL. And they have the same cost of living in retirement. So if we dealt with purchasing power and years of service, on this subject, then we are discriminating against those who were unfortunately born 30 years too soon.

Mr. MACY. We have that situation in a lot of other things. The accident of time of birth is difficult to correct over a long period of time. It seems to me this is a social problem that is difficult to deal with, and it also seems to me the issue the Congress has before it is a very important one. The issue is: Are you going to relate future annuities for those who are retired to the earned annuity plus cost of living, or are you going to try to find some relationship to active employment? This is what some of these bills attempt to do—in other words, relate any further or future adjustment to the adjustments in rates of pay for active employees.

Mr. BROYHILL. Do you feel it would be farfetched, Mr. Macy—I asked the question not to be argumentative—that you had the system based on return of purchasing power and living standards to the employee in the years of retirement, in return for his years of contribution and hours of service to his Government and purchasing power that he put into the retirement system, do you think that would be a far-fetched approach to use?

Mr. MACY. I think it would be extremely difficult—

Mr. BROYHILL. I realize you could not do it in a private insurance company.

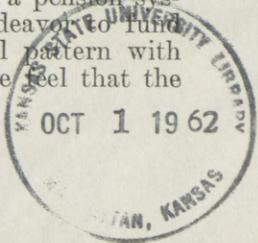
Mr. MACY (continuing). To compute with any equity and it seems to me financially it would be a nightmare.

Mr. BROYHILL. But we do that with one segment of our Federal service.

Mr. MACY. A very small discrete segment that has a special system of its own. Here we are talking about coverage of more than 2 million people under this plan. This is the largest retirement system in the country.

Mr. BROYHILL. But in Federal service now, in Federal legislation we are doing just exactly that in social security. Social security is not actuarially sound. We are strictly gambling on people working in the future, putting enough money into the fund for those who will be retiring in the future.

Mr. MACY. My view is that there is a distinct differentiation between the social security system and this employer-sponsored retirement plan. I think we see the parallel to this in private enterprise. Private enterprise today views social security as a national economic base to protect the American citizen to a minimum extent in his old age. Forward looking companies are now providing a pension system on top of that and that pension system they endeavor to fund effectively and securely. This has been the general pattern with respect to protection of old age in this country. We feel that the



civil service retiree is entitled to some kind of fixed policy that he can count on. One of the things that concerns us from the humane point of view is the uncertainty as to what is going to happen and what the means or measures are going to be. And after a great deal of study with our experts in the Commission, it is our belief that the plan we present is the one that provides an equitable approach and at the same time is achievable within the range of the fund.

Mr. BROYHILL. Let me ask you one more question. In dollars and cents or percentagewise what does this plan recommend for us to do at this time? What would it mean in dollars and cents to the civil service annuitant?

Mr. MACY. The plan that we are recommending would establish as a base year 1958 which is the most recent year in which there was an adjustment authorized by Congress in the annuity rates, and say that when there is a 5-percent increase in the cost of living—

Mr. BROYHILL. I recall that in your statement. That means at this time you are not recommending or endorsing any increase.

Mr. MACY. There would be no immediate increase at this time under our proposal.

Mr. BROYHILL. It took you about two pages to say it.

Mr. MACY. That is right. I am always windy.

Mr. OLSEN. Mr. Wallhauser, do you have any questions?

Mr. WALLHAUSER. I don't want to belabor points already covered, many of which had occurred to me.

I talked about, or rather you talked about the \$33 billion unfunded liability.

Mr. MACY. That is correct.

Mr. WALLHAUSER. This is no reason, is it, for not improving our system? In other words, the present retiree should not be penalized because of some inappropriate action on the part of a previous Congress or Congresses.

Mr. MACY. No, sir; but I feel in considering any action with respect to the plan it is desirable we bear in mind what the financial condition of the fund is.

Mr. WALLHAUSER. When annuitants retire, we know now, after having had these comparable salary wage surveys made, they retire at less than comparable wages, many of them. I mean most of them.

Mr. MACY. We can assume that.

Mr. WALLHAUSER. So they haven't even got to first base, actually. The present folks who will be receiving salary increases we hope will be on first base, but the ones who have retired up to now are behind.

Mr. MACY. We have no factual data to support that assumption but I think this is reasonable.

Mr. WALLHAUSER. I think so.

Therefore it seems to me that relating it only to the cost-of-living index does not take into consideration other problems that face the retirees, one of which I mentioned; namely, that they were behind comparable wage scales and some other system should or could be included along with what you have just testified to. I was about to ask in dollars, Would this mean an increase to retirees?—and your answer is "No."

Mr. MACY. Not immediately.

Mr. WALLHAUSER. Not immediately.

Therefore, it seems to me there is a wide gap in equity in your suggestion as compared with a realistic approach to the problem. And while theoretically it sounds very, very perfect, actually it isn't because it does not take into consideration the fact that the retirees have not caught up with the parade.

Mr. MACY. But a large number of the retirees in the lower salary brackets have been up with or ahead of the parade as far as their salaries are concerned through the years past.

Mr. WALLHAUSER. Well, we shouldn't differentiate between the low and the high.

Mr. MACY. I think this a problem we have, Mr. Wallhauser, in coming up with some kind of measurable and realistic answer to the question that you raised, in relating this to salaries. And as you can see the Congress has conscientiously endeavored to provide adjustments, three of them in the 1950's, in order to catch up, and the catching up in relation to the cost of living has for the most part kept pace or gone ahead.

Mr. WALLHAUSER. They provide salary increases but they caught up after the parade has moved on.

In other words, even in the salary reform bill that we are studying now, we are taking the Bureau of Labor Statistics survey that ended 18 months ago. Sixteen to eighteen months ago. There has been a cost-of-living increase since then.

Mr. MACY. A relatively small one in the last 18 months.

Mr. WALLHAUSER. Regardless. There has been a cost-of-living increase. So even if we bring the present employees up to a standard, we are still 16 to 18 months behind. And this has been true I believe for many years in the Federal Government. And, therefore, I have a feeling that some percentage is justified in including in any annuity bill, among those that have been introduced, in addition to your formula, which is a good one—your formula is theoretically very sound, there is no question about it, except for one other point. The cost of living varies greatly all over the country and a person living in the metropolitan area of New York City—

Mr. MACY. Of course most of them live in Florida, Mr. Wallhauser.

Mr. WALLHAUSER. Is this an accurate statement?

Mr. MACY. The fact is California, Florida, and the District of Columbia would be the leading areas. They are high-cost areas.

Mr. WALLHAUSER. They will be penalized as compared to those who—I won't mention any other States—live elsewhere.

Mr. Chairman, I appreciate Mr. Macy's position. I think his staff is made up of very able people and I am sure they have tried to improve this. At least you have endeavored to cooperate by suggesting something that is very good.

Mr. MACY. Our feeling was that in the past perhaps we have come up and opposed everything without offering some kind of alternative. We think there is a problem here, a very important one. We would like to see this resolved, if possible, for the long term so there is an assurance to these employees that there will be some formula that they can anticipate providing them with adjustments they need.

Mr. WALLHAUSER. Out of curiosity and looking for knowledge, is it your duty or prerogative to suggest ways and means of funding this liability to the Congress?

Mr. MACY. Yes, this is part of our responsibility with the Secretary of the Treasury.

Mr. WALLHAUSER. Have you done so?

Mr. MACY. Yes. Last year we proposed a change in interest rates on the investments in the fund which produced an increase of about \$100 million for the fund. But on the operation of the retirement plan at the present time the unfunded liability increases about \$1 billion a year. At some point—we compute this to be sometime in the 1980's—the income for the fund will have to be supplemented by direct appropriation in order to keep up with the obligations computed at that time.

Mr. WALLHAUSER. In other words, it is not an immediate problem.

Mr. MACY. It is not an immediate problem. I think it is a thing we need to watch. We make, every fifth year, an evaluation of the retirement system and perhaps from the study which is scheduled for June 30, 1963, we will find some new proposals that we may offer for improved financing.

Your distinguished colleagues on the Appropriations Subcommittee, before whom we appear each year, give us a rather delightful scrubbing on the size of this liability and query us as to why we are not asking for an appropriation to make this fund more viable. Our answer is that these are fiscal considerations that each administration has to face. The determination has been that for the time being the total of 13 percent that is contributed to the fund annually through the 6.5 percent contributed by the employees and the 6.5 percent contributed by the employing departments represents an adequate income for the fund. But at some future date there must be consideration of additional appropriations in order to keep the fund up.

Mr. WALLHAUSER. Do these suggestions come from our side of the aisle?

Mr. MACY. They tend to come from both sides. We find that there is no real friend or advocate for the unfunded liability.

Mr. WALLHAUSER. Very good. That is all, Mr. Chairman.

Mr. ICHORD. Mr. Chairman?

Mr. OLSEN. Mr. Ichord.

Mr. ICHORD. I was interested by the question raised by my former Congressman—you represent McLean, Va.; do you not?

Mr. BROYHILL. Yes, sir. That was Mr. Macy's area as well.

Mr. ICHORD. The social security system is actuarially sound if we increase as scheduled the social security rate. We have a \$33 billion deficit?

Mr. MACY. Unfunded liability. And this, Mr. Ichord, is based on an actuarial computation.

Mr. ICHORD. We are speaking actuarially.

If I were in a critical mood, whom should I criticize for this deficit of \$33 billion? Bear in mind that I am a freshman Member of Congress.

Mr. MACY. You are probably looking at him. To clarify my response, the judgment each year with respect to the amount of money to be requested for the fund is a decision that is made at the Presidential level with advice from the Civil Service Commission, advice from the Treasury, advice from the Bureau of the Budget, and it is considered in the full fiscal context of the Federal Government.

Mr. ICHORD. When did the Government start failing to meet its responsibilities?

Mr. MACY. The record is very irregular on this. There were annual appropriations made for a number of years to the fund.

Mr. ICHORD. What years?

Mr. MACY. I would have to check my documents on that.

Mr. LAWTON. It was the day after the act was passed. They made no appropriations for the first 8 or 9 years of the fund. No contribution to it.

Mr. ICHORD. When did they fail more than other times?

Mr. LAWTON. That is a relative situation. They failed 100 percent in the beginning but the account was very small because the contributions by the employees were more than enough to carry the fund. The percentage of failure to make payment is probably at its greatest at the present time because of the number of employees being much larger.

Mr. ICHORD. I thought we were keeping it up actuarially now.

Mr. MACY. No, sir.

Mr. ICHORD. We are not?

Mr. MACY. No, sir.

Mr. ICHORD. Did I not have testimony last year that there was a \$30 billion deficit? This year I hear it is a \$33 billion deficit.

Mr. MACY. I believe I testified \$32 billion last year. It is going up at a rate of about \$1 billion a year.

Mr. ICHORD. Even though we increased the interest rate or made funds available for reinvestment?

Mr. MACY. That is correct.

Mr. OLSEN. The penalty amounted to \$10 million a year?

Mr. MACY. \$100 million a year.

Mr. LAWTON. The balance invested is also going up at about the same rate.

Mr. ICHORD. It is a very serious problem, isn't it, Mr. Macy?

Mr. MACY. Yes, sir; it is and this is a problem that is discussed very seriously within the administration. It was discussed very seriously within the previous administration and before the Appropriations Committees of Congress each year.

I think perhaps I can illustrate the problem by citing some further figures. I mentioned an annual contribution of 13 percent. Actually, the normal cost of the retirement plan runs to about 13.83 percent for a new entrant. That 13.83 percent of payroll is the estimated level premium cost for a new entrant, a person just coming into the Federal service. The reason the unfunded liability is growing by approximately \$1 billion a year is because of this actuarially computed unfunded liability. It is like having a mortgage on your home. If you do not pay the interest, the amount you owe increases, and we are not getting any appropriation for interest on the unfunded liability.

Mr. ICHORD. Let us assume we continue to lay down on our responsibility to this fund. When do you expect to reach the point where it will be exhausted?

Mr. MACY. To where there will have to be direct appropriations? We have estimated that at about 1988.

Mr. ICHORD. I could possibly have grandchildren at that time. Thank you.

Mr. OLSEN. It would, however, increase the Government's contribution.

Mr. MACY. That is correct. I believe the Commission's estimate of what would be necessary in order to meet the level cost plus interest beyond the 13 percent now contributed was \$466 million for the upcoming fiscal year. Am I correct on that?

Mr. RUDDOCK. To keep the unfunded liability from increasing?

Mr. MACY. Yes.

Mr. RUDDOCK. It would have to be about \$1 billion.

Mr. MACY. Just for the interest. What was the interest figure?

Mr. RUDDOCK. It would be almost \$1 billion. It would be 3 percent of the unfunded liability, which is almost \$1 billion.

Mr. MACY. So there would be something in the magnitude of additional appropriation of that amount that would be necessary, and when the budgets are so precariously in balance when they are set up, this is a substantial additional expenditure to consider.

Mr. BROYHILL. Mr. Chairman, may I ask one more question?

Mr. OLSEN. Certainly.

Mr. BROYHILL. I wonder if I note a deficiency in some of the bills we now have before us, even in my own bill, whether or not that would provide a greater annuity for those who are now on retirement than those who may retire tomorrow. For example, if the effective date of a 10-percent increase is July 1, 1962, and an employee may have retired on June 1, 1962, he would receive the 10-percent increase, but the other employee would have to receive less. Would that be true of the bills before us?

Mr. MACY. Yes.

Mr. BROYHILL. I think that would be a deficiency.

Mr. MACY. Yes. I think you would want to make certain you didn't have that kind of condition where in catching up you were actually going beyond the person who would currently retire.

Mr. WALLHAUSER. Have we had any figure as to how much is being paid into the fund and how much is being paid out each year, or in the last year?

Mr. MACY. Yes; this information is in the Commission's annual report.

Mr. LAWTON. The receipts into the fund in 1962 were \$2,027 million. The total disbursements out of the fund were \$963 million. The increase in the investments is \$1,065 million.

Mr. OLSEN. If there is nothing further, we will proceed with the next witness.

STATEMENT OF JEROME J. KEATING, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. KEATING. Mr. Chairman, before proceeding with my prepared statement I would like to speak to the foregoing testimony. First, I want to make it absolutely clear that the civil service retirement plan is the best funded plan in the Government. We have the largest payroll percentage of contributions—6.5 percent. Under Federal judiciary there is no contribution, the uniformed services make no contribution.

According to the Kaplan study which was made a few years ago, the cost to the Government of the Foreign Service retirement program is 19.5 percent of the payroll.

At that time the civil service cost was 5.15. Now it is 6.83, I believe, would be the cost to the Government. The cost to the Federal judiciary is 19.72 percent and the uniformed services is 9.49 percent.

Now all of those funds have large unfunded liabilities. Practically every private retirement plan has substantial unfunded liabilities. I have no recent figures, but in the past I have made studies of various companies. I recall one of the large steel companies had an unfunded liability of \$100 million.

Usually when a company enters into a retirement program the policy is to give credit for past service and every new plan starts out with an unfunded liability.

One of the exceptions was TVA because that was a new program and the retirement program started at the time workers started their employment. But in almost all existing companies there are large unfunded liabilities.

Our unfunded liability is \$32 billion which, of course, is an actuarial figure. There are certain assumptions they have to make. The figure is not something you can say is absolutely accurate. Maybe it is, maybe it isn't. Actuaries base their figures on certain projections and assumptions they have to make.

I want to point out the situation that exists with social security. I have in my hand here a copy of The Proceedings, 1960-61, Conference of Actuaries in Public Practice, 10th Annual Edition. A paper by Frank Dickinson pointed out in 1959 the amount of the OASI trust fund was \$20.1 billion. The latest I read on the amount of the fund was \$22 billion. We have \$12 billion in the civil service retirement fund. It has been said and it has been argued and discussed many, many times in the Congress and out of the Congress as to whether the social security fund is solvent or not. Some say that it is solvent because it is a pay-as-you-go basis but if you figure unfunded liability there is a substantial deficit.

Mr. BROYHILL. Does he state what that is?

Mr. KEATING. I will read the statement by Dickinson here. It shows there is a great deal of difference in the opinion of various actuaries:

Another way to discern the emerging social security principal is to examine the aggregates. The unfunded liability has been estimated at what would probably be about \$350 billion after the 1961 amendments by Robert J. Myers, actuary of the Social Security Administration.

He is now in the Labor Department but he was actuary for a number of years in the Social Security Administration.

Former actuaries of the Social Security Administration and particularly W. R. Williamson estimates the same liability at about \$650 billion. This is hardly the place to consider their conflicting estimates in the amount of the unfunded reserve liability. Currently there is no apparent reason to use interest and discount factors in the formulas. For our purposes we will split the difference and assume that the unfunded liability is about \$500 billion.

So unfunded liabilities are a common thing.

We realize the necessity of adequate contribution to the fund and we would like to see the Government make the contributions that are requested of them.

For many, many years the Government made no contribution and every since the fund has been organized I think there was only about 1 year where Cogress has appropriated as much as the Commission requested.

Mr. OLSEN. I want to interrupt you at this point and I want to put it in the record here that in visiting with some members of the Appropriations Committee on this particular point I have been told to my face and boldly, that they don't appropriate all that is necessary because they fear if they did that this committee that we are sitting on, gentlemen, would increase the benefits more rapidly. So they are putting a brake on us in the Appropriations Committee by not appropriating the required amount. I want it in the record at this point.

You may proceed, Mr. Keating.

Mr. KEATING. There is also a philosophy held by some, and the Comptroller, Joseph Campbell, expressed that philosophy in testimony before this committee. He stated that the civil service retirement fund is solvent because it is an obligation of the Government and it is as solvent as the Government itself is. That the Government has an absolute obligation to pay and he was of the opinion that there is no particular reason why they should have those funds available for payments far in the future. We have pointed out previously that if the Government did have the funds necessary to make all of their trust funds solvent you would have, according to the statement of Nickerson, \$500 billion for social security. You would have another \$44 billion for the civil service retirement. You would probably have something, oh I imagine \$35 billion or \$40 billion for the armed services. You would have a substantial amount for the Foreign Service. You would have a substantial amount to pay the insurance claims in Veterans' Affairs and the Government. We would probably have funds of \$800 billion or \$900 billion.

Now what could the Government do with it? The only place the Government can lend money is to itself. The Federal Government cannot go out in the market. If the Government entered the commercial market with that kind of money the stock market would be in a far worse condition than it is now. There would be no private financing. So there is something to be said for a moderate reserve.

The Commission has a good proposed program, in my opinion. They want an annual contribution, not to pay off the unfunded liability, but sufficient money to pay the interest on the unfunded liability, plus normal costs. If you reach that level, of course, then you never get any worse off. The liability remains constant. The money in the reserve probably will never be needed. There is little point in collecting money that you are compelled to loan to yourself in order to have money that you are never going to spend.

Mr. OLSEN. Now at this point in the record let us get the figure today—I would like to interrupt you and have Mr. Ruddock tell us what the interest figure would be on the funded liability.

Mr. RUDDOCK. Approximately \$1 billion a year.

Mr. OLSEN. That is in addition to the normal?

Mr. RUDDOCK. In addition to the 6½-percent contribution by each agency.

Mr. KEATING. There are several points here that I want to pick up. First, on the contributions in the Federal judiciary and the uniformed services, we point out they make no contribution.

The amount the civil service employees contribute of 6½ percent is larger than that contributed by perhaps any other worker in America.

I have here an analysis of 100 different retirement plans. Here we have the Reynolds Metals Co. where an employee who gets \$4,800 a year, if he retires with 25 years' service, gets \$192 a month. If he retired with that amount of service in civil service he would get \$176. The only contribution he makes to the Reynolds Metals Co. is 3¼ percent social security. They have a noncontributory plan.

In the case of civil service retirement the employee pays 6½ percent. Many of these plans in this book, a substantial number—I won't say the majority; I would like to check that before I make that statement—a substantial number of them are noncontributory and where there are contributions they seldom, if ever, go above 3 percent. I don't know that any of them go above 3 percent. So our civil service annuitants are not receiving fabulous amounts of money. I question the method of determining what is adequate when it is limited strictly to the Consumer Price Index. Mr. Clague who has appeared before the committee has pointed out many times that the Consumer Price Index only measures the cost of increases in the price of certain commodities in the selected market basket. It does not take into consideration improvements in the standard of living, it does not take into consideration certain direct taxes. Of course, excise taxes and hidden taxes are taken in because they are a part of the price of the article. But income taxes are not considered in the Consumer Price Index. We have been holding our employees to a measure that isn't exactly fair when we hold them strictly to a cost of living index. I think an improvement factor certainly would be desirable.

I want to congratulate the Commission and commend them highly for changing a long-term policy. The long-term policy of the Commission has been to oppose increases in existing annuities. Now this time the Commission representatives have come up and they have suggested increases. I want to commend them for it. I think it represents very forward thinking. I think it represents the idea of keeping the Government's value of a dollar constant, to try to maintain the value of the dollar for these retirees.

I do believe, however, that a 5-percent increase in CPI is far too rigid. In the escalator contracts in private industry increases usually come at 1 percent and in some instances they come at one-half of 1 percent.

In these escalator clauses, when you adjust pay because of changes in the Consumer Price Index, you are reflecting what Mr. Wallhauser brought out on pay raises. You are reflecting what has happened, rather than what annuitants are going to have to live with next year. You are giving them what they should have gotten last year rather than what they should get next year. These are certain limitations when you confine an increase to the cost of living.

I think, too, that the Commission in assuming that the annuities were proper in 1958—in 1958 U.S. News Publishing Co., which certainly cannot be considered a radical publication—published an article "Inflation Race—Who's Ahead, Who's Behind."

This article shows that in changes since 1939, coal miners were at the top. Their real income was up 107 percent. Others were up 80 percent, 70 percent, 60 percent. They have two groups. "These groups are getting smaller 'real' incomes; retired Federal Government workers down 13 percent."

This was in 1958. At that time annuitants were granted a 10-percent increase. But assuming they had the proper amount before that, they didn't get the percentage increase they should have received in 1958 and I don't think they had the income that they should have had in 1958 and I certainly don't think they have it today.

Mr. OLSEN. Mr. Keating, at that point without objection we would like to have that chart inserted in the record.

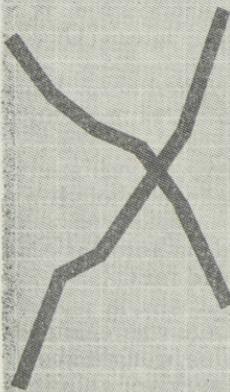
Mr. KEATING. Very well.

(The chart follows:)

INFLATION RACE—WHO'S AHEAD, WHO'S BEHIND

PEOPLE WHO REALLY HAVE PROSPERED IN 17 BOOM YEARS

After allowing for taxes and for changes in the value of the dollar . . .



*Average return on securities bought in 1939 and held to date.

†Married veteran with no dependents.

These Groups Are Getting Bigger "Real" Incomes—

	Change from 1939
Coal miners (bituminous)	UP 107%
Farm laborers	UP 89%
Cigarette-factory workers	UP 84%
Lumber workers	UP 73%
Paper-mill workers	UP 65%
Textile workers	UP 64%
Investors in stocks*	UP 63%
Furniture makers	UP 59%
Metal miners	UP 59%
Chemical workers	UP 58%
Steel, copper, aluminum workers	UP 56%
Metal-product workers	UP 56%
Cannery workers, others in food processing	UP 51%
Machinery makers (nonelectrical)	UP 48%
Shoe-factory workers	UP 48%
Meat-packing workers	UP 47%
Farmers	UP 46%
Petroleum-refinery workers	UP 43%
Machinery makers (electrical)	UP 41%
Tire-factory workers	UP 40%
Aircraft-factory workers	UP 39%
Oil and gas-field workers	UP 36%
Schoolteachers	UP 36%
Printing, publishing employes	UP 32%
Garment workers	UP 31%
Cleaning, dyeing workers	UP 28%
Retail clerks	UP 24%
Electric, gas-company employes	UP 24%
Railroad workers	UP 24%
Laundry workers	UP 23%
Coal miners (anthracite)	UP 22%
Auto workers	UP 20%
Telephone employes	UP 16%
Federal Government workers	UP 14%
Veterans on compensation †	UP 4%

These Groups Are Getting Smaller "Real" Incomes—

Bondholders*	DOWN 49%
Retired Federal Government workers	DOWN 13%

Mr. KEATING. In March there were 415,512 retired employees. The average annuity was \$167 a month. But approximately 200,000 received less than \$150 a month. The BLS, in a study made in 1959, determined that the amount of money necessary for retired elderly people, a retired elderly man and his wife to live modestly and comfortably in Houston, Tex., which was the lowest of the 20 involved was \$2,641 and in Chicago it would take \$3,366. The poor fellow getting \$167 isn't doing very well, and 50 percent of retirees get less than \$167. If we are going to give them the right to be good citizens who can hold up their heads and take a proper place in their community, I think that we certainly ought to give very strong consideration to increasing their annuities.

I think, too, I would like to see the committee in any bill that is reported out provide a little better deal for the widows. Your bill, Mr. Olsen, has a provision that would make it mandatory that those who retired provide survivorship benefits where there was a wife—the Commission has opposed this proposal. Through administrative action the Commission has reduced the number who do not take survivorship to 4 percent. I want to commend them for that. They have done a very fine job in reducing the number of people. But each 1 percent is 540 people and I still believe there are many widows who are not protected. Many of the men when they retire make the mistake of taking a life annuity. We have the case in point up in Pennsylvania where a man, at the time he retired, had cancer. He didn't know it and his family didn't want to know it. His wife said, "We need the money. Take the full amount. You are going to live a long time."

He knew he was sick but he didn't know what was the matter with him. He took the reduction and died 3 months later. Of course she has no annuity now.

We believe there should be some system worked out. We agree it isn't right to force the annuity in the case of estrangement, particularly when the fault is due to the wife.

We think the employee should take positive action himself instead of being asked a question, "Which do you take, a whole life annuity or survivorship protection"?

Mr. WALLHAUSER. Do you think it should be automatic unless he makes an election that his widow not be provided for?

Mr. KEATING. That is right.

We think, too, when the annuity deduction was changed it was changed to 2½ percent on the first \$2,400. This brought about a great change in the number of people who selected survivor annuities. The 83 percent quoted by the Commission was the overall figure. However, it was the people with the lower income who did not take survivorship protection. Because 10 percent of \$167 or \$150 is certainly more terrifying than 10 percent of \$4,000. While the latter is more money still the dollars are more badly needed for the person with the lower income.

So we believe that perhaps the 2.5 percent should be changed so it would apply maybe to the first \$4,800 of income—salaries are going up and they are going to continue going up—and we believe that the 50 percent of the employee's annuity that goes to the widow should be increased to probably 55 percent. I think that would be a forward

step because the widows' annuities are pitifully small. I have quoted the average in my testimony here. The widows' annuities are very small and I do think that you should give consideration to that.

Mr. BROYHILL. Will the gentleman yield?

Mr. KEATING. Yes.

Mr. BROYHILL. There is another example of a precedent for what you are suggesting—in fact this is the same example I gave a while ago with regard to the Police and Firemen's Association in the District of Columbia.

The widows and survivors automatically get an annuity and they get a minimum annuity. So much percentage of the former spouse's salary or an annuity with a minimum amount, and the retirement of the Police Department does not contribute to that survivors' fund. As you say it has been there for years as part of the Federal system.

Mr. KEATING. We have a minimum formula but it is awfully small in some instances.

The annuity is computed either on the basis of 40 percent of salary, or the assumption is made that he had lived to the point of retirement. The Commission uses the factor that is the smallest.

A person who has a low salary, 40 percent of that is not very much. Many of these cases occur when the man does not have too much service. I think a straight minimum such as you propose could be considered.

Mr. BROYHILL. The system has a minimum dollar amount.

Mr. KEATING. That is right. The proposal you mentioned has the minimum dollar amount.

I also want to point out in Mr. Macy's testimony he said that the sliding scale of 20-10 percent increase approach "directly conflicts with the objective of the retirement system which is to relate benefit amounts to the salary and length of service of the employee, and would tend to depart from the career incentive retirement system."

I think essentially what he says there is correct with this exception: Even in this career incentive retirement system, Congress has always recognized that there should be a minimum, and in the early days, before 1948, we had what was known as the 30-40 formula. Under the 30-40 formula anybody who had 30 years of service received a minimum annuity of \$1,200. With the amendment to the act in 1948, the formula also had a minimum basis for those getting less than \$5,000 because they used the formula 1 percent plus \$25 or 1½ percent, whichever was the greater. That \$25 would give the person with a lower annuity credit for having a \$5,000 salary on a portion of his annuity, when of course at that time many of them had \$3,000 salaries.

So there has always been a minimal basis and I think practically every retirement system has a minimal basis to take care of those with low incomes.

There is much that could be said but I do not want to belabor the committee. I would like to have my prepared statement filed.

Mr. OLSEN. Without objection it is so ordered and will be made a part of the record at this point.

(The statement referred to follows:)

PREPARED STATEMENT OF JEROME J. KEATING, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. Chairman and members of the subcommittee, my name is Jerome J. Keating; I am vice president of the National Association of Letter Carriers, and chairman of the legislative committee of the Government Employees' Council, AFL-CIO. The National Association of Letter Carriers has 155,000 members in more than 5,000 branches located in the 50 States of the Union and in Puerto Rico.

We are pleased to have an opportunity to appear here today in support of some very necessary retirement legislation. We are appreciative of the fact that the chairman of this committee has introduced some very important bills providing for annuity increases. Congressmen Broyhill and Daniels have introduced important legislation providing for annuity increases and Congressman Olsen has introduced a bill which provides for annuity increases and other changes in the Retirement Act.

The most important item in the retirement program—the one that certainly is entitled to first consideration—is an increase in annuities of those presently on the rolls. In the month of March there were 415,512 retired employees receiving annuities under the civil service retirement system. The average annuity was \$167 a month, but approximately 200,000 annuitants received less than \$150 a month. There were 140,939 survivor annuitants on the rolls in March. The median for the survivor annuitants is less than \$50 a month; 73,000 survivors received less than \$50 a month. These pitiful sums are visible evidence that increases are necessary. We are going to recommend to this committee that increases be granted to all of those on the retirement rolls. We are going to further recommend that something be done to provide more adequate annuities for survivor annuitants. This is an important part of an adequate retirement system.

It is true that many retirees who have the smallest annuities had short terms of service in the Federal Government. It is also true, however, that many of those who have been in retirement for a long period of time had long service and retired on small annuities. In this group you will find those of advanced age. You will find the helpless, the sick, and the suffering. Approximately 50 percent of those on the retirement rolls have 25 or more years of service. Approximately 150,000 have more than 30 years of service. There are a substantial number of annuitants who retired on disability. These people are handicapped in seeking means of augmenting their small annuities. On June 30, 1961, there were 16,501 annuitants retired on disability and their average annuity was only \$150 per month. The Government itself in a study made by the Bureau of Labor Statistics in 1959 determined the amount of money necessary for a retired elderly man and his wife to live modestly but comfortably in 20 selected cities and suburbs. According to the BBS study it would require \$3,366 per year in Chicago for a modest but adequate living, the highest of all the cities studied. The lowest of the 20 cities was Houston, Tex., and here a modest living required \$2,641 per year. The vast majority of annuitants could not live comfortably in Houston and practically none of them could expect to live comfortably in Chicago according to BLS standards. Annuitants have been fighting a losing battle. The purchasing power of the dollar has declined every year since the turn of the century except during the depression. Part of this decline is due to the increased cost of living; part to the increasing necessity of those with low income to assume a larger part of the tax burden; and part is due to the new standard of living. Frequently people say you do not have to improve your standard of living. Such a statement is ridiculous. In this modern complex world of ours you must live close to the standards of those of other people. You cannot retain the standards of the horse and buggy days no more than you could retain a horse and buggy. The facilities are not available to live according to those standards. We have been trying in this country to lift the standards of the American people. Urban redevelopment was adopted by the Government to eliminate substandard homes and to give people more healthful surroundings. When you eliminate the homes of those living at the lowest income level, the people whose homes are destroyed have to move into a neighborhood where the rates of living are higher, and the people of that area move into another area where living is higher. This elevates and improves living standards but it also raises living costs.

The annuitants cannot stand still—they cannot find an island of escape—they have to adjust, and certainly we should expect them to adjust by improving their standard of living. I think that a mistake is sometimes made by some of those in authority who assume that when an annuity increase was granted in 1958, an ideal income was established that could be used as an ideal base for the future. A chart published by the U.S. News & World Report in 1956 indicated that the retired Federal employees were down 13 percent in real income since 1939. Other incomes were up as high as 37 percent. The Consumer Price Index in 1956 was 94.7 percent. On the 1957-59 basis, by 1958 it had risen to 100.7 percent. If the estimate of U.S. News & World Report was correct, the retired Federal employees were down more than 20 percent in 1958; and in 1958 they received a 10-percent increase. We don't believe that equity was attained in 1958 and we cannot accept the 1958 adjustment as the proper foundation on which to base future increases.

The bills before you sponsored by Mr. Morrison, Mr. Broyhill, and Mr. Olsen all recognize the fact that the standard of adjustment should be established which would result in greater facility in increasing the annuities of retirees. The methods proposed in the Morrison and Broyhill bills provide that such changes shall be based on pay raises given to active employees. The Olsen bill provides that an increase shall be granted whenever there is a 1-percent increase in Consumer Price Index. The administration has recommended that such adjustment be made whenever there is a 5-percent change in the Consumer Price Index. I want to congratulate the Civil Service Commission on recommending that there be an automatic adjustment in the annuities of those on the retirement rolls. This represents a progressive change in the thinking of the administration and we would like to give full and due credit to all of those who have recognized that the value of the dollar is not constant; but an attempt should be made to keep the income of those retired at a more stable level.

While we appreciate the recommendation made by the Commission, we believe that the figure they have established—a 5-percent increase—is far too rigid. In the case of escalator provisions presently operative in private industry, the increase is usually granted on a 1 point advance, and in some instances on a one-half point advance. The adjustment on the basis of advancements in CPI is an adjustment based on an accomplished fact. In other words, the increase is not granted until the actual cost-of-living increase is already an established fact.

In some industrial contracts, particularly in the one that the United Auto Workers work under, there is a projection into the future and the statistics are anticipated rather than placed into operation after the increase has already occurred.

We believe that to hold the annuitants without an increase until there is a 5-percent increase is far too rigid. We appreciate the fact that in a large group such as civil service retirement, the adjustment has to be on a yearly basis; but we favor the 1-percent factor provided in the Olsen bill rather than the 5-percent suggested by the Commission.

The Olsen bill also provides for an exchange of credits between civil service retirement and social security. We think that the procedure set forth in this bill is absolutely sound but it is opposed by the Commission, and we have been told that sometime next year there will be a proposal from the administration to coordinate civil service retirement and social security.

At this date we want to place ourselves on record against such a coordination. Ever since social security legislation has been on the books there has been a constant demand from the people in social security to put civil service retirement under social security. We are opposed to such coordination.

We think the provisions carried in the Olsen bill would eliminate the need for such coordination but we realize there will be difficulty in arriving at a conclusion on this matter so late in the session.

We think that the bill to be reported out by this committee should make the following provisions:

First, a substantial increase in annuities of not less than 10 percent should be effected immediately or within as short a period of time as necessary to make the necessary preparation. We believe that 30 days after date of passage would provide the Commission with ample time to make the necessary computations and would be fair to the annuitants.

We believe that widows' annuities for those who retire in the future should be adjusted by increasing the percentage of the employees annuities from 50 to 55 percent in order to provide a better annuity for the widows.

The Olsen bill provides that annuities should be automatic and the employee would not have the right to elect whether or not there would be a survivor annuity—that it would be provided automatically. We are told by the Commission that 96 percent of those retiring selected an annuity for their survivor. Many of the 96, however, do not provide for an annuity for the survivor on the full amount of their annuity. There is a 2½ percent reduction of the employee's annuity on the first 2,400 and there is a 10-percent reduction on the amount above \$2,400. Salaries have advanced considerably since that amendment was put into the law and annuities have increased as well. We believe that the 2½-percent factor should apply to the first \$4,800 of annuity.

Many employees merely take the reduction on the first \$2,400 because the 10 percent reduces their annuity too sharply. We urge the committee to give consideration to this recommendation in reporting out this legislation.

With these recommendations we would like to urge the committee to take early and prompt action on this most important legislation. Increases are sorely needed by the retirees and these other adjustments that we have suggested are needed to bring our retirement program more closely in alinement with modern retirement programs.

We appreciate having had the opportunity of testifying before you and urge favorable action as soon as possible.

Mr. KEATING. We appreciate the opportunity of being here and giving you our views.

Mr. OLSEN. Mr. Keating, it is always very instructive and enlightening, and I must say refreshing, to have you testifying before this committee. You do a wonderful job. I know the committee always gets a great deal from your testimony.

Mr. KEATING. Thank you.

Mr. OLSEN. I see Congressman Fulton, of Pennsylvania, in the room. Congressman Fulton, we will be very glad to hear from you at this time.

STATEMENT OF HON. JAMES G. FULTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. FULTON. I will be very brief.

I am glad to be here before this subcommittee because when I first came to Congress I was a member of the old Civil Service Committee, so I feel a special relationship to this committee.

I am here to give vigorous and strong support to legislation on behalf of our retired Federal employees, and particularly H.R. 3316 and H.R. 10706. It is a pleasure to appear before this subcommittee appointed to consider these measures dealing with increases in annuities of retired Federal employees, and related bills dealing with the interchange of credit between civil service retirement and social security benefits.

I have correspondence on behalf of this legislation from Pittsburgh Chapter 114 of the National Association of Retired Civil Employees, and my own correspondence, which I would like to submit for the record at this point.

Mr. OLSEN. Without objection it may be inserted in the record at this point.

(The correspondence referred to follows:)

PITTSBURGH CHAPTER 114,
NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES,
Pittsburgh, Pa., January 10, 1962.

HON. JAMES FULTON,
Member of Congress, House Office Building, Washington, D.C.

DEAR CONGRESSMAN FULTON: At the regular meeting held January 6, 1962 of the Pittsburgh Chapter 114, National Association of Retired Civil Employees, in the New Post Office Building, Pittsburgh, Pa., the following resolution was unanimously passed:

"Be it resolved, That the members of Chapter 114, National Association of Retired Civil Employees, request your earnest consideration and ask that you use every means possible to have legislation requesting a 20-percent increase in retired benefits be granted by your Committee on Civil Service in the House for consideration in a bill to be presented to the incoming Congress and Senate; be it further

"Resolved, That you use your influence in this Civil Service Committee to further advance this piece of legislation so that an adequate amount of compensation be requested of this Congress and Senate and this bill be given an early hearing; be it further

"Resolved, That this is a most necessary piece of legislation, as many of our members are compelled to live on meager retired benefits, and that such an increase is justified for many of the members are in the aged bracket which require greater amounts of money to assist them in these later years in life."

Will appreciate your earnest consideration of this matter. With kindest personal regards, I am.

Sincerely,

STERLING L. MORELOCK,
Legislative Chairman.

JANUARY 23, 1962.

NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES,
PITTSBURGH CHAPTER 114,
Pittsburgh, Pa.

(Attention of Sterling L. Morelock, legislative chairman.)

DEAR MORELOCK: I am writing to confirm my telegram of January 22, 1962, as follows:

"Pleasure to talk with you by long distance. Have today introduced bill cosponsoring Morrison's bill H.R. 3316 for 20-percent annuity increase. Glad to be on team.

"Congressman JIM FULTON."

It is a pleasure to advise you that I have introduced H.R. 9819 on Monday, January 22, 1962, to provide that the annuity of each employee be increased by 20 percent.

As I feel that our retired people have contributed over their productive years to the fine present level of the U.S. economy, they should be included in our U.S. progress as well.

I wish to advise you that your association officers have been good in keeping in touch with me and my congressional office, so it has been forcefully brought to my attention that our retired older people are being forgotten and that we must do something about this situation.

I have been studying and working on this particular field, and am filing further bills.

Because I know of your interest, I am enclosing for you the following bills which I have introduced in the House of Representatives:

H.R. 3855, introduced on January 31, 1961, to modify the decrease in group life insurance at age 65 or after retirement.

H.R. 3657, introduced on January 31, 1961, to extend the benefits of the Retired Federal Employees Health Benefits Act to certain retired employees entitled to deferred annuity.

H.R. 4097, introduced February 9, 1961, to amend the Civil Service Retirement Act to liberalize the standard for determining the earning capacity of disability annuitants and to permit the restoration of disability annuities in certain cases.

H.R. 4099, introduced February 9, 1961, to extend health benefits to the survivors of retiree annuitants who died before April 1, 1948.

H.R. 4100, introduced February 9, 1961, to make civil service retirement and disability fund available for annuity benefits authorized by law.

H.R. 4102, introduced February 9, 1961, to amend the Civil Service Retirement Act, as amended, to provide annuities for surviving spouses without deduction from original annuities, and for other purposes.

I am also writing to Joseph Bovard, president of the Pittsburgh chapter, and Mrs. Augusta Byers, secretary of the Pittsburgh chapter, so that they will know of my continued interest in our good retired civil employees.

Sincerely,

JAMES FULTON.

PITTSBURGH CHAPTER 114,
NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES,
July 9, 1962.

Hon. JAMES FULTON,
Congressman, House Office Building,
Washington, D.C.

DEAR MR. FULTON: We the members of the Pittsburgh Chapter 114, National Association of Retired Civil Employees, certainly appreciate your cooperation in securing adequate legislation in our behalf of the needs for more compensation.

May we add that your efforts are certainly appreciated by all our membership and hope that you will be able to get out of the committee some piece of legislation which will be worth while.

The best wishes of all of us are with you, may God bless you.

Sincerely,

STERLING L. MORELOCK,
Legislative Chairman, Pittsburgh Chapter 114.

Mr. FULTON. These people have been interested in the retired civil service employees and ask that earnest consideration be given legislation giving a 20-percent increase in retired benefits and they express the hope that this increase will be granted by this committee and considered by the Congress during this session of Congress.

I would like to add that I feel our retired people have contributed over their productive years to the fine present level of the U.S. economy, and I feel they should be included in our U.S. progress as well.

Thank you for your courtesy. It is always a pleasure to appear before this committee.

Mr. OLSEN. Thank you for your contribution to the committee. It is always wonderful to have a man of your experience in the Congress to come before the committee and present your ideas.

Mr. FULTON. It is nice of you to say that.

Mr. BARRY. Mr. Fulton, have you examined the two proposed plans, and, if so, which do you have preference for?

Mr. FULTON. I would say this, that my bill, H.R. 9819, is the same as Mr. Morrison's bill, H.R. 3316, so that I sponsor that particular approach.

Then on the other bill that we mentioned, H.R. 10706, I strongly favor that, which is Mr. Olson's bill, for the interchange of credits between the civil service retirement and social security benefits. In fact, I will cosponsor that bill by putting it in today.

Mr. OLSON. Thank you very much, Congressman Fulton.

The next witness is Hon. Victor L. Anfuso of New York.

**STATEMENT OF HON. VICTOR L. ANFUSO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK**

Mr. ANFUSO. Mr. Chairman and members of the committee. I appreciate the opportunity to present this statement in support of my bill, H.R. 11585, which your distinguished committee is presently considering together with similar other bills.

My bill would amend the Civil Service Retirement Act by providing for increases in annuities for retired Federal employees, as well as eliminate the option with respect to certain survivor annuities. In addition, the measure would also provide for an interchange or transfer of social security credits between the civil service retirement system and the insurance system which was established by title II of the Social Security Act.

The plight of many of our retired Federal employees, who find it most difficult to cope with the high cost of living on their limited pensions or annuities, is well known to many of us in Congress. These former U.S. civil servants have devoted a lifetime of loyal service to our Government. After having completed their period of service, they retired with the hope of spending the remainder of their lives in economic security and free of the worries of gaining a livelihood as a way of recognition for their years of responsible service. The high cost of living has made it almost impossible for them to realize that hope and to live in relative peace in their declining years.

Since 1955 these former Federal employees have been granted only one annuity increase amounting to 10 percent. Neither in the 85th nor in the 86th Congresses was the plight of these people taken into consideration when increases were voted for active Federal employees. Now the 87th Congress is entering the concluding phase of its work and I would certainly not like to see the problem of our civil service retirees ignored. There is still time for action, and I would strongly urge the Post Office and Civil Service Committee to report this bill or a similar bill favorably.

Early action by this committee will assure favorable action by the House in the current session.

Mr. OLSEN. Thank you, Mr. Anfuso.

The next witness is Hon. John Lesinski of Michigan.

**STATEMENT OF HON. JOHN LESINSKI, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MICHIGAN**

Mr. LESINSKI. Mr. Chairman and members of the committee, I appreciate having this opportunity to testify in behalf of legislation designed to remove certain inequities in the Civil Service Retirement Act.

It is my strong belief that in view of the present-day high cost of living, the annuities of the civil service annuitants should be increased by an appropriate amount to bring those annuities more in line with the salary increases that have been granted to the currently employed Federal employees over the past several years. It is my feeling that such an increase is long overdue.

In particular, I should like to see the committee take action to abolish a discriminatory provision existing in the Retirement Act,

as I have proposed in my bill, H.R. 3298, which would equalize the increase in annuities under the act for certain employees who had retired prior to October 1, 1956, and put those annuities in line with the annuities of employees retired subsequent to that time. In 1952, when annuities were increased, a provision was included that no annuity shall be increased to an amount in excess of \$2,160 per annum. In 1955 the legislation to increase annuities imposed a limitation of \$4,104. My bill is designed to remove those limitations which have penalized employees who had served many years, were retired from higher grades, and had contributed proportionately more to the retirement fund than those in the lower grades with shorter service. This, I believe, is due them in recognition of their valuable and faithful service to the Government.

I should, therefore, like to go on record in support of a proper increase in the annuities of all retired civil service employees and to urge the committee to remove the aforementioned inequity existing in current law.

Mr. OLSEN. Thank you, Mr. Lesinski.

The next witness is Hon. George P. Miller of California.

STATEMENT OF HON. GEORGE P. MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MILLER. Mr. Chairman and members of the subcommittee, I greatly appreciate the opportunity of testifying on behalf of H.R. 3316 and the companion bills, one of which I have cosponsored, concerning adjustment of inequities in the Civil Service Retirement Act.

The subcommittee is to be highly commended for its interest in this vital legislation. One of the great burdens facing retired persons is meeting the financial disparity which exists between retirement annuities and the cost of living.

Retirement annuities are traditionally calculated upon long-range projections concerning the cost of living. Unfortunately, these projections are rather indefinite in establishing the true pattern of the cost of living because of the span of years involved between the projection period and the actual time when an annuitant will be drawing retirement benefits. Usually inflation has affected the annuity dollar very hard and numerous annuities average less than one-half of the prevalent salary rates at the time the rate is established.

For many years, from 1946 to 1955, the Congress followed a customary policy of granting cost-of-living increases to the annuities of retired employees and of survivors of deceased retirees to correspond with the cost-of-living increases voted to employees who have not retired. In 1958 Public Law 84-8465 granted a 10 percent annuity increase limited to persons retired prior to October 1, 1956 and their survivors.

Since 1958 there have been salary increases made in the civil service pay but no corresponding annuity increase, and this has resulted in an estimated cut of nearly one-fifth of the purchasing power of the annuity dollar in comparison with the salary dollar.

This is certainly a grave inequity and it is one which our loyal public service employees should not have to face. The public service is a very honorable profession and there should be every incentive to

encourage people to pursue this way of life. However, if increasing inequities develop between anticipated retirement income and real retirement income then more and more people will leave Federal service to go into other endeavors. Furthermore, those who have retired after long years of service have been unfairly penalized by these growing inequities which exist now.

In view of the foregoing, I strongly urge the subcommittee to favorably consider this important legislation which it has before it.

Thank you for the opportunity of testifying on this matter.

Mr. OLSEN. Thank you, Mr. Miller.

The next witness is Hon. Alfred E. Santangelo, of New York.

STATEMENT OF HON. ALFRED E. SANTANGELO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SANTANGELO. Mr. Chairman and members of the subcommittee, the U.S. Civil Service is one of the finest organizations of its kind in the world. Through its efforts, the quality of average U.S. public servants has improved so that Government employment has become an honorable profession. It has not always been so. The quality of Federal workers has improved through the years because Federal pay and fringe benefits have increased; dedication has more and more been properly rewarded. But even the most intense dedication has its limits, and quality declines if neglected. Though better provided for than ever before, Federal workers are still neglected, particularly after they retire from public service. The Federal Government provides substantially less for its former employees than does private industry. I support H.R. 11701 and similar bills in order to reduce this neglect.

H.R. 11701 would increase civil service retirement annuities by the same percentage as the average increase of the next Federal pay raise. In addition, annuities would increase annually, according to a scale based on the cost of living—should it increase—as determined by the Bureau of Labor Statistics Consumer Index. Also, in order to give Federal workers a fairer portion of our Nation's prosperity, no increase would be made in the portion of any annuity purchased by voluntary contributions. And, H.R. 11701 provides for an interchange in credits between the civil service retirement system and the retirement benefits established by the Social Security Act. This latter provision would rectify an ancient wrong.

Five hundred and ninety-three thousand persons—retirees, widows, orphans, and others—are estimated by the Civil Service Commission to depend on Federal annuities. Of this number, 50,000 live in the State of New York. The needs of these people cannot be denied. The sustenance, comfort, contentment, and general welfare of those who have worked hard for the public service depend on annuities which are grossly insufficient, by reasonable and humane standards. We should reward with comparatively little money those who have rewarded our Nation with much dedication and service.

Mr. OLSEN. Thank you, Mr. Santangelo.

The next witness is Hon. Paul A. Fino, of New York.

STATEMENT OF HON. PAUL A. FINO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK

Mr. FINO. Mr. Chairman and members of the committee. Let me begin my statement by commending the chairman and other members of this subcommittee for holding these hearings. I know that the welfare of Federal civil service annuitants and their survivors is a matter of deep concern to all of you, as it is to me. These hearings are proof of that concern, and I welcome this opportunity to express my views on raising annuities. This is a matter of utmost importance, not only to the beneficiaries, but also to the integrity and sense of fairness of the Federal Government.

May I direct the attention of the subcommittee to H.R. 3754, a bill to adjust annuities which I introduced on February 2, 1961. This is a relatively uncomplicated measure which would make only two significant changes in the existing Retirement Act. These amendments would, however, go a long way toward correcting the injustices and lack of organization in the laws governing the retirement system.

The first of these important changes would raise the annuity of every retired Federal employee or retired Member of Congress by a flat 20 percent on the first \$1,500 of his annuity and by 10 percent on any amount of the annuity in excess of this figure. This same formula would be applied to survivors of both former employees and former Members. These increases would not apply to any additional annuity purchased at retirement on a voluntary basis.

The second significant substantive change incorporated in H.R. 3754 is a proposal for a more or less automatic adjustment of annuities in the future through either one of two plans. The first of these plans calls for an increase in annuities whenever there is a general increase in salaries for either postal or classified employees. The alternative plan would result in larger annuities whenever "the formula for computing annuities of retiring employees generally is liberalized."

In either case, it would be the responsibility of the Civil Service Commission to compute as nearly as possible the average percentage of increase and to apply it to those annuities already being paid. This determination by the Commission would be final and conclusive and not subject to review.

It is an unfortunate fact that civil service annuitants simply are not receiving an equitable share of all that America has to offer. For those of us in Congress this is also a very unpleasant and embarrassing fact because it is our duty and responsibility to prevent this sort of thing, or, at the very least, to provide an adequate and expeditious remedy.

The facts speak for themselves. Of the approximately 400,000 annuitants on the retirement rolls, almost one-third are receiving less than \$100 per month. One-half of them last year were paid under \$150 per month.

One does not have to be an expert in finance to realize the enormous difficulties involved in trying to get along on this tiny income.

Federal annuitants and their survivors, like so many other pensioners and persons living on a fixed income, are virtually helpless

victims of rising living costs. They are also the victims of a confused body of legislation dealing with their annuities.

Let me explain. Since the end of World War II laws affecting annuities have authorized a number of changes more remarkable for their variety than for their consistency.

For example, some of the laws set a fixed percent of increase for benefits. Others established a ceiling above which no annuities could rise. One of the laws called for a temporary increase; another law made this increase permanent. Still another statute set up a sliding scale, within maximum limits, for annuities.

My bill, H.R. 3754, could effect a real improvement in the retirement system, both in terms of satisfying present needs and in the longer view of the situation.

It would, first of all, grant an immediate, much needed, and much deserved increase in annuities.

Secondly, it would provide a logical and practical formula and method for calculating future annuity adjustments. The hit-or-miss methods of the past have been a major shortcoming of the retirement system—unnecessarily time-consuming for Congress and, more importantly, frequently unjust to annuitants.

The case for larger annuities for retired civil servants is not that the Government owes them a living. They are not looking for a handout, or for more than a fair share of the national wealth to which they themselves contributed so much.

The case rests, rather, on the inescapable responsibility of the Federal Government to assure these people that their basic needs will be provided for. They are entitled to a life of dignity, self-respect, and freedom from the fears and anxieties of possible financial disaster. We in Congress must recognize that even these minimal obligations are not now being met.

I am confident that this subcommittee will thoroughly investigate the financial status of retired Federal personnel and their survivors. I am confident, too, that it will favorably report a bill designed to meet their needs.

I believe that my bill, H.R. 3754, is such a measure, and it is my hope that this subcommittee will give it prompt and careful consideration.

Mr. OLSEN. Thank you, Mr. Fino.

The next witness is Hon. Peter H. Dominick of Colorado.

STATEMENT OF HON. PETER H. DOMINICK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. DOMINICK. Mr. Chairman, and members of the subcommittee, the purpose of my bill, H.R. 4899, which is virtually identical with H.R. 3316 and others of the bills now under consideration, is to provide for more equitable compensation for our retired civil service annuitants.

Inflation is the greatest economic problem facing our elderly citizens. Inflation strikes hardest at the annuitant who must provide for himself and also for his family with a reduced fixed income. This factor in recent years has imposed a great hardship upon many of our retired civil service annuitants.

For many years, Congress recognized this factor and the need for periodic adjustment of these annuities to match the cost-of-living pay increases awarded to the active employees of the Federal Government. However, it is also historically true that the adjustments granted to civil service annuitants in the past were never sufficient to keep pace with the adjustments given active employees or with the decline in purchasing power caused by the eroding forces of inflation. No adjustment has been granted to annuitants since 1958 while the cost of living during this period has continued to rise. Active employees have been granted adjustments during this period equal to almost 20 percent.

I have been informed that the Civil Service Commission opposes the compensation adjustments which my bill, and others, would provide. Instead, Mr. Macy, in his report, a copy of which was sent to me by the chairman of the full committee, recommends the establishment of a long-range adjustment program based on an annual evaluation of the percent change in the price index. Although many of us would disagree with that part of the formula which would delay any adjustment until the price index has risen by 5 percent, the concept of an annual review and adjustment of annuities is a much needed approach toward solving the problem of maintaining the level of compensation to our civil service annuitants on an equitable basis.

Whichever alternative is taken by this committee, Mr. Chairman, I urge that action be taken as soon as possible in order to assure fair treatment to our retired civil service employees who have devoted many years of their lives to the Federal service.

Mr. OLSEN. Thank you, Mr. Dominick.

The next witness is Hon. Richard L. Roudebush of Indiana.

STATEMENT OF HON. RICHARD L. ROUDEBUSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. ROUDEBUSH. Mr. Chairman and members of the subcommittee, I wish to express my thanks to this subcommittee for the privilege of speaking in behalf of two bills affecting retired civil service workers which I have sponsored in the 87th Congress.

I refer to H.R. 6428 and H.R. 6429 which I presented for consideration by the Congress on April 18, 1961.

My first bill, H.R. 6428, will provide increases for annuities of retired Federal employees in order to bring them up to a level prescribed by the Federal Employees Salary Increase Act of 1960.

It is important that these older workers who have given long, faithful years of service to the public and their Federal Government should receive the maximum benefits to which they are entitled.

My bill will insure that the annuity of each retired employee and each survivor of a retired employee receiving or entitled to receive an annuity from the civil service retirement and disability fund shall be increased to 7.5 percent.

This legislation provides no increase in annuity shall exceed \$500 per annum.

A companion measure, H.R. 6429, provides added protection for our retired civil service workers by simultaneous adjustments for annuities in line with any future general adjustments in Federal employees' salaries.

The provisions of my two bills guarantee a degree of security to our retired civil service employees who are now living on reduced, fixed incomes that have to be stretched somehow to meet ever-increased costs of living.

Under these bills, our retired workers will be given the same consideration and benefits as the younger Federal employees who are still in their active and productive years.

I earnestly solicit your support for H.R. 6428 and H.R. 6429.
Thank you.

Mr. OLSEN. Thank you, Mr. Roudebush.

The next witness is Hon. Elmer J. Holland of Pennsylvania.

**STATEMENT OF HON. ELMER J. HOLLAND, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. HOLLAND. Mr. Chairman and Members of the subcommittee. I would like to urge that the subcommittee give serious consideration to the provisions contained in my bill H.R. 11786, to amend section 2 of Public Law 85-465, which stipulated that widows or widowers of Federal employees, deceased before 1948, must have been married at least 5 years immediately prior to the death of the spouse to be eligible for a survivorship annuity.

It seems unjust to discriminate against the few remaining "forgotten widows" whose husband's died before they had been married the required 5 years. One has no control over life and death, and to have their marriage end within such a short period of time through no fault of their own, should not be a penalty in determining entitlement to a survivorship annuity.

Since the enactment of the February 1948 law, no required period of marriage has been stipulated as a qualification for survivorship annuities. Therefore, as the law now stands marriage of just a few days is sufficient to qualify.

Only a few remaining individuals, mostly of retirement age, would benefit by this change, and the cost to the Government would not be great. The expense to the Government would not increase, but would gradually cease. The monthly annuity of each would be small, but it would help in meeting the ever increasing cost of living and the added medical requirements that come with advance in age.

It is up to us in Congress to correct this situation, and I believe it could very easily be done if the provisions of this bill were either made a part of any retirement legislation reported out by the committee, or else considered as a separate bill. I earnestly ask the committee to take favorable action on this legislation.

On May 16, 1962, I introduced H.R. 11787—to amend the Civil Service Retirement Act to provide for the adjustment of inequities, et cetera—as a cosponsor of H.R. 3316, introduced by the Honorable James H. Morrison, chairman of your subcommittee on retirement legislation.

It seems only just and logical that retired civil service personnel should receive an increase in annuities. Salaries have gone up; the cost of living has gone up; but the retirement annuity stays the same. Retirees have to meet the cost of living increases the same as the workingman. Therefore, I believe there should be an increase in annuities

when there is a general adjustment of salaries for classified and postal employees.

It is interesting to note that for many years military retirement benefits have been increased when the pay of military personnel on active duty has been increased. Congress has tied military benefits to military pay. The same should apply to retired civilian personnel.

If our Federal employees need a salary increase to meet the increase in the cost of living, certainly retired Federal employees are affected by the same higher costs; and, I might add, I believe increases are warranted for Federal employees, both active and retired.

These people were dedicated employees, and gave many years of faithful service. They paid into the retirement fund with the belief they would have an adequate income when they retired, and could live free of worry as to how to meet the everyday cost of living. This is not possible unless their annuities are increased in proportion to the cost-of-living increase. Therefore, I earnestly urge the committee's favorable action on legislation to increase the annuity benefits of our retired Federal employees.

I wish to insert in the record a statement from Mr. F. Lee Kirby, 1126 West Willetta Street, Phoenix, Ariz.

(The statement follows:)

STATEMENT IN SUPPORT OF H.R. 11786 AND H.R. 921 BY F. LEE KIRBY, RETIRED CIVIL SERVICE EMPLOYEE; MEMBER AND FORMER PRESIDENT FOR THE STATE OF ARIZONA OF THE NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, AND MEMBER OF THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

I am submitting this statement as a retired civil service employee, who, although I have nothing to gain personally, am vitally interested in the amending of Public Law 85-465, and wish to set forth my reasons for such amendment.

Among the many betterments of the original civil service retirement law, two advances stand out. The one which became effective February 29, 1948, not only liberalized annuities, but, for the first time provided survivorship annuities for wives of employees retired after that date. Then came Public Law 85-465, effective August 1, 1958, which substantially benefited many of us, and for which we are grateful. One of the best provisions of the 1958 law, however, is section 2 by which Congress, in a spirit of consideration and fairness, recognized that widows of early day employees who had been left without pensions because their husbands had died before there was provision for survivorship annuities, February 29, 1958, should not be left forgotten. Section 2 was truly heartwarming. Besides earning the gratitude of the benefited widows and their relatives, it struck a note of human appeal on the part of their friends, and even of the general public. It caught fire with the press, which termed it the "forgotten widows" section.

Like many other fine things, however, there was an unfortunate stipulation. This was the requirement that to qualify, a widow must have been married to her husband at least 5 years immediately prior to his death. That requirement leaves just a few equally deserving and needy widows, who are otherwise fully qualified, still stranded simply because they were so unfortunate as to lose their husbands by death before 5 years of marriage. No element of bad faith was involved, such as the young woman who married very old Civil War veterans a few decades ago for the express purpose of obtaining Government pensions. None of the widows of Federal employees who married prior to February 1948 had expected survivorship benefits because none was provided in the retirement law at the time they married. The breaks of fate have dealt a double and compound blow to the ones left out: (1) Loss of their husbands early in their marriage; then (2) because of the first misfortune, being deprived of survivorship benefits which their more fortunate sisters receive. It is somewhat like a group left stranded on a desert. Along comes a rescue crew, but it only picks up the ones who can qualify by 5 years of marriage, the remaining few are left to shift for themselves. Yet the good faith and need of all is exactly the same. In this connection, it is noted that when Congress did provide for survivorship

annuities for widows of Federal employees retired subsequently to February 29, 1948, no minimum period of marriage was specified. Since that date, just a day or two of marriage is sufficient to qualify.

I worked for the Government—in the Forest Service—from 1909 to 1954. It has been my observation all along that the attitude of Congress toward Federal employees and toward former employees now in retirement has been one of complete fairness. For this reason, I cannot believe that Congress really intended to exclude from the benefits of section 2 those few widows who were deprived of the opportunity to qualify because their husbands died before they had been married 5 years. The few I know of are now in the retirement age bracket themselves. They are few in number; annuities would be small, so total costs would not be great. It could not become a growing expense to the Government but would gradually diminish and eventually terminate.

An amendment, such as H.R. 921 by Representative Frank W. Burke, of Kentucky, or H.R. 11786 by Representative Elmer J. Holland, of Pennsylvania, would reduce the required period of marriage to 2 years instead of 5, would go a long way in remedying this situation.

My only interest is that of an administrator—a forest supervisor for more than 20 years—who naturally appreciated loyal, faithful employees, and became concerned with the welfare of them and their families. That interest has grown with the years. As for myself, I have been more fortunate and have been on the receiving end of many benefits, for which I am grateful to Congress.

In conclusion, I wish to point out that those few abandoned widows have no way of doing anything in their own behalf. If the unfortunate situation is corrected at all, it must be through the unselfish efforts of Congress.

I trust you, as members of the House Post Office and Civil Service Committee, will agree that the cause is right and just and will act favorably to include provisions that would amend section 2 of Public Law 85-465, when reporting retirement legislation out of your committee.

Thank you for allowing me to present this statement.

Mr. OLSEN. Thank you, Mr. Holland.

The next witness is Hon. Thomas J. Lane, of Massachusetts.

STATEMENT OF HON. THOMAS J. LANE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. LANE. Mr. Chairman and members of the committee, retirement income, to provide some measure of comfort, independence, and freedom from financial worry in old age, is one of the principal objectives of the American people.

Long before the United States woke up to the need for establishing a contributory system of old-age and survivors insurance, the chief inducement for young men and women to devote their working years to employment by the Federal Government was the prospect of security in old age under civil service retirement.

That attraction has lost its luster as late-coming pension plans have caught up with, and in some cases have surpassed the average level of benefits paid to civil service annuitants.

The Federal employee pays 6½ percent of his salary as his share of supporting the civil service retirement system, which is considerably higher than the contributions of other workers to their retirement systems, but, proportionately, the Federal worker receives less security.

How did this situation come about? Through indifference to the plight of Federal annuitants and the steady erosion of their pensions by the gradual increase in the cost of necessities. The improvement in the American standard of living saw the fixed-income annuitants steadily lose ground in their efforts to make both ends meet.

Failure to increase Federal retirement benefits, to compensate for the deterioration in the purchasing power of pensions, is a breach of

faith on the part of Government toward the old and faithful employees who gave the energy, skill, and pride of their best years to its service.

Unless this pension deficit is brought into balance, many qualified young people, observing the neglect of civil service annuitants, will be disinclined to invest their lives in the service of a government that shows such little consideration for its retired employees.

This will inevitably weaken the quality and the morale of the civil servants whom we depend upon to carry out the day-to-day responsibilities and the functions of the U.S. Government. Conversely, what we accomplish for the annuitants will help to improve the caliber and the confidence of Federal employees. Not only have the annuities of retired Federal employees been held to the same level since 1958, but have suffered a loss of 13 percent in real income since 1939.

The number of bills introduced to amend the Civil Service Retirement Act by increasing annuities is evidence that the Congress is seriously concerned about annuitants living on austerity budgets because of circumstances beyond their control.

H.R. 3987 is the bill I have presented for your consideration. Its purpose is to increase the annuity of each retired employee who, on the date of this act, is receiving or entitled to receive an annuity from the civil service retirement and disability fund. It will provide a 20-percent increase for each annuity under \$1,500 * * * with a 10-percent increase for the remainder of an annuity that extends beyond \$1,500.

Furthermore, each annuity shall be increased whenever (1) there is a general adjustment of salaries of classified employees or of postal employees, or (2) the formula for computing annuities of retiring employees generally is liberalized.

Such increase in the annuity of a retired employee or Member shall operate to increase the annuity of his survivors proportionately.

In return for the 6½ percent withheld from the salaries of Federal employees to finance their share of retirement benefits, they deserve more than mere subsistence checks when their working years are past.

Civil service annuitants look to us for an increase in their pensions to meet the economic realities of 1962.

Mr. OLSEN. Thank you, Mr. Lane.

The next witness is Hon. Philip J. Philbin, of Massachusetts.

STATEMENT OF HON. PHILIP J. PHILBIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. PHILBIN. Mr. Chairman and members of the subcommittee, first, let me thank you for letting me have this opportunity to express my deep interest in pending legislation to assist our civil service annuitants, specifically that worthy and meritorious bill sponsored by the able and distinguished chairman of this subcommittee, Congressman Morrison's H.R. 3316.

I recognize the very careful consideration which the members of this great committee give to the needs of our Federal retired people and I am pleased to cosponsor the Morrison bill. Having in mind that other witnesses will furnish the subcommittee with expert testimony on the technical details of the bill, I am confining myself to a few general remarks relative to the need, urgency, merits, and de-

sirability of taking some action now to assist our retirees, who have been hurt most of all by the continued inflationary trend.

There are some 400,000 retired Federal employees and some 150,000 survivors presently being carried on the Government's annuity rolls. Of this number, about 18,000 live in Massachusetts, and it is for this group of fine, loyal, dedicated citizens that I speak today.

Over the years, this committee and the Congress have provided pay increases to Federal employees aggregating some 20 percent since the last general annuity increase was voted in 1955. True, there was a partial annuity increase in 1958, but this was denied to all who went on the retirement rolls since October 1, 1956.

H.R. 3316 and my H.R. 11782 recognize the fact that the cost of living has steadily gone up for all people on small fixed incomes and that our Federal retirees deserve cost-of-living increases in their annuity checks which average about \$136 monthly.

Many people in my district and State have been in touch with me concerning their difficulty to make ends meet in the light of the continued rise in prices. With only \$136 as income every month for many of these people, it is understandable why our retirees look to this subcommittee and to the Congress for some action to ease the heavy financial burdens they now bear. They look to legislation like the Morrison bill to provide relief which is badly needed now.

I urge your favorable consideration of this pending legislation and thank you for the opportunity to be heard.

Mr. OLSEN. Thank you, Mr. Philbin.

The next witness is Hon. George M. Rhodes of Pennsylvania.

STATEMENT OF HON. GEORGE M. RHODES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. RHODES. Mr. Chairman, I wish to express support for legislation now before your committee which would increase annuities for retired Federal employees. I have introduced H.R. 11577, which is one of a number of bills that seeks to amend the Civil Service Retirement Act. It is a companion bill to H.R. 10806 introduced by Hon. Arnold Olsen of Montana, a distinguished member of your committee. It provides for increases in annuities, elimination of the option with respect to certain survivor annuities, and provides for the interchange of credits between the civil service retirement system and the insurance system established by title II of the Social Security Act.

The latest annual report for the Civil Service Commission shows that Pennsylvania ranks fourth among the States in the number of civil service annuitants. In the Keystone State there are 21,112 retired Federal employees and 7,934 survivor annuitants. Only California, New York, and the District of Columbia have a greater number. Annuity checks received in Pennsylvania average \$133.73 a month, which is slightly below the national average of \$136.57 per month.

The report also discloses that among the 559,120 retirees and survivor annuitants on the rolls June 30, 1961, 22 percent were receiving annuities under \$50 a month and only 53 percent were receiving \$100 or more per month. More than half of the 396,523 retiree annuitants received less than \$150 per month, while only 5 percent of the survivor annuitants received as much as \$150 per month.

As of June 30, 1961, the average salary under the Classification Act was \$6,211 per annum, or \$517.60 per month. This is almost four times the average annuity check of \$136.57 per month.

These figures, Mr. Chairman, help to set my bill, H.R. 11577, and others in their proper light. Our civil service retirement annuitants have suffered from inflation of recent years. The last general annuity increase was approved in 1955, although a limited 10-percent increase—restricted to annuities based on service which terminated prior to October 1, 1956—became effective in 1958.

At the same time, however, this inflationary trend has been the basis for salary increases aggregating more than 20 percent for employees without any matching increases to annuitants who must exist on much smaller incomes. Right now, the Congress is seriously considering further increases in Federal salaries which would leave the annuitants still farther behind in corresponding incomes.

My bill, H.R. 11577, and companion bills represent only minimum proposals for the relief of these distressed annuitants. Some formula, I believe, should be worked out for annuity increases in the future corresponding to losses by inflation in a manner corresponding to salary increases awarded to employees.

I urge, Mr. Chairman, favorable consideration of this legislation which would give a needed increase in pension benefits for retired Federal employees.

Mr. OLSEN. Thank you, Mr. Rhodes.

The next witness is Hon. Leonard Farbstein of New York.

STATEMENT OF HON. LEONARD FARBSTEIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. FARBSTEIN. Congress since 1958 has granted Federal employees two pay increases, but, during the same period, has granted Federal retirees no increase in their annuities. In 1960, Congress granted a general pay increase to Federal employees, supposedly based in part on increases in the cost of living, but retirees were excluded. As far as earnings have been concerned, Federal annuitants have been, and continue to be, discriminated against, when their benefits are compared with benefits received by current Federal employees and employees in private industry.

Federal annuities are inadequate to meet the needs of Federal retirees, and this inadequacy has worsened because of the rising cost of living. Since 1958, the Consumer Price Index has risen about 4 percent, while Federal annuities have not increased at all.

To help correct this situation, I urge the serious consideration of both H.R. 3316 and H.R. 10706.

Representative Morrison's bill, H.R. 3316, would grant immediate annuity increases according to two formulas. The first would increase annuities on an across-the-board basis by 20 percent on the first \$1,500. The second would raise annuities by 10 percent on all that is now being paid in excess of \$1,500.

Increases of these proportions are, in my opinion, fully justified.

Another important feature of Mr. Morrison's bill is that it would tie in future increases in annuities to general adjustments in the salaries paid active Federal employees. It would be the responsibility of the

Civil Service Commission to determine just how much these increases should be.

Under this plan annuity payments would reflect changes in the cost of living and would do much to relieve the pressure created on those who must try to live on fixed income when prices are going up.

The first benefits to be derived by retirees under Representative Olsen's bill, H.R. 10706, would be concurrent with the next pay raise for active Federal employees under the Classification Act. Annuities would be increased by the same percentage as was applied to Federal salaries. This determination would be made by the Civil Service Commission.

Thereafter, annuitants would receive annual cost-of-living boosts in their benefits whenever the Consumer Price Index rose by 1 percent or more per annum. Again, the Civil Service Commission would be responsible for making the computations. This would be done automatically, thereby relieving part of the workload on Congress but, more importantly, assuring annuitants that they will receive their benefits in dollars of constant purchasing power.

The transfer of credits between the social security retirement system and the Federal retirement plan is a long-needed change that is incorporated in Mr. Olsen's bill. As it now stands, if a person divides his working years between the Government and the private economy or some other position covered by social security, he may discover too late that neither program covers his retirement years adequately.

For example, both money and time spent within the social security system may be completely lost now unless one has accumulated enough quarters of work to receive minimum coverage. Similarly, unless a Federal employee has been with the Government for at least 5 years, he is not entitled to coverage under the Retirement Act.

The Olsen bill allows for transfer of credit both into the Government retirement fund from social security and from social security into the Federal retirement fund. Not only would this plan assure many people of fairer and more complete coverage, but it would also make Federal service more attractive to many able people who might otherwise fear the loss of retirement benefits they had already secured under social security.

Finally, H.R. 10706 would do away with the present option in the retirement law under which the retiree can either take a full annuity, making no provision for a surviving spouse, or a reduced annuity with such a provision. Some retirees under the first option have left their widows virtually destitute, probably because they did not understand the law.

In any event, the social security system allows no such option. Coverage of a surviving spouse is mandatory, and it should be this way under the Federal retirement system.

In conclusion, I support the Olsen and Morrison bills because approximately 593,000 persons who depend on Federal annuities need a fairer share in our Nation's prosperity. I am particularly disturbed that the 50,000 residents of New York State who depend on annuities are so shabbily treated. In the name of decency, the suffering and privation—caused by the current, insufficient annuities—should be

erased, and quickly. It is hardly appropriate that the richest nation in the world should treat its retired public servants so poorly.

Mr. OLSEN. Thank you, Mr. Farbstein.

The next witness is Hon. Jeffery Cohelan, of California.

**STATEMENT OF HON. JEFFERY COHELAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. COHELAN. Mr. Chairman, I appreciate this opportunity to express my support for this legislation which I have joined in introducing—legislation which would provide greatly needed annuity increases for retired Federal employees and their survivors.

The present retirement program for Federal personnel is the result of growth and evaluation of the civil service retirement system and is designed primarily to provide benefits to career employees based on the number of years worked and the salaries earned.

Unfortunately, in recent years the annuities upon which most of our retired civil servants depend, have not kept pace with general salary increases for Federal employees—increases intended to match a rising cost of living. In fact, since 1956 there have been two general salary increases without a general annuity increase. Since 1956 salaries of Federal employees have been increased about 20 percent while annuities have been adjusted only to the 1956 level.

Despite the fact that annuities have remained constant during the last 6 years, our retired civil servants have faced a rising cost of living. In 1955 the average of the Consumer Price Index (adjusted to a base of 1957-59=100) was 93.3. In 1957 it was 94.7. In 1961 it was 104.2 and in May 1962 it was 105.2. This rise in the cost of living has been further complicated for our older population because of the greatly increased expense of hospital and medical care—an expense which must be borne with ever greater frequency in the retirement years of life.

Mr. Chairman, if we are to provide any real measure of economic security to those who have devoted a lifetime in Government service, it is essential that annuity increases keep pace with salary increases. This legislation would accomplish this objective and I urge that it be approved without delay.

Mr. OLSEN. Thank you, Mr. Cohelan.

The next witness is Hon. Herbert Zelenko, of New York.

**STATEMENT OF HON. HERBERT ZELENKO, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW YORK**

Mr. ZELENKO. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you in support of my bill, H.R. 11833, providing for urgently needed increases in civil service retirement annuities in proportion to increases in the Consumer Price Index.

Inflation, a monetary disease which strikes hardest at elderly persons who must provide for themselves and a family with a reduced fixed income, is the greatest economic problem facing our retired civil service workers. Retirees have been fighting a losing battle since the turn of the century. The drastic decline in their purchasing power is due to the increased cost of living, the necessity for those

earning lower incomes to bear a larger percentage of the tax burden, and the higher cost of living in today's world. The obvious solution to the problem would be to adjust these annuities to rises in the cost of living. The efficacy and simplicity of this constructive, positive solution is so manifest that it is difficult to understand why this proposal has not already been instituted.

At best, pensions for most civil service employees are comparatively low. They yield barely enough income, and in many instances not even barely enough, for the annuitant to support himself at a minimal living standard. In 1959, the Bureau of Labor Statistics made a study of the income that an elderly man and his wife would need in order to live modestly in 20 different American cities. The amounts ranged from \$3,366 per year in Chicago to \$2,641 in Houston. It is shocking to find that the vast majority of our retired civil service workers could not live comfortably in Houston, Tex., on their present annuities.

According to the 1961 Annual Report of the Civil Service Commission, 70 percent of the 400,000 retired Federal employees received less than \$2,400 annually. About 50 percent received less than \$1,800 per year, while the annuities of 30 percent were below \$1,200. The bottom 10 percent received \$600. These pitiful sums are visible evidence that an increase, or at least an adjustment of annuities to the cost of living, is absolutely necessary. While other groups have received up to 107 percent in bigger "real" incomes since 1939, the real income of Federal employees has declined 13 percent during the same period. As a survey conducted by U.S. News & World Report in 1956 has demonstrated, retired Government workers are suffering more severe hardships than any other fixed income group.

This is a gross injustice. While the Federal Government stands by, these people are feeling the economic pinch. Only by replacing our presently antiquated and unjust system of compensation can the suffering of our retired public servants be alleviated. It would be a tragedy to deny to these hard-pressed retirees the ability to maintain their purchasing power in relation to existing prices. They deserve substantially higher pensions; adjusting their present pensions to the cost of living in the very least we can do.

The Federal Government has a moral responsibility to its former employees. In most cases these annuitants have no other income than the pittance they receive under the Retirement Act. They have been forced to give up the small pleasures they had hoped to enjoy in their declining years and to utilize their meager incomes instead for the bare necessities: food, clothing, shelter, and medical expenses. With the sharply increased cost of these items, it is rapidly becoming impossible to pay for these essentials. Moreover, since the Government has provided salary increases to its active employees to cover rises in the cost of living, equity dictates similar increases to retired annuitants for the same purpose. Adopting this progressive legislation will show that the Federal Government recognizes its responsibility to those who have dedicated decades of loyal service to their country. Only in this way will those have devoted a lifetime of conscientious service to our Nation be able to have some real economic security upon retirement. In this way they can gain the peace of mind that comes in knowing that their Government will provide adjustments to counteract the steady erosion of their purchasing power.

If enacted, H.R. 11833 would produce many salutary effects. First, it would formalize what heretofore has been only an implied promise that a Government worker's pension, which is adequate at retirement, will continue to provide for the annuitant's needs for as long as he lives. Second, it would provide a permanent solution to a recurring problem and would relieve annuitants of their longstanding anxiety concerning future retirement adjustments. Third, it would guarantee a life of dignity to these people. They desire, and certainly deserve to get, a retirement free from constant worry about the cost of living. Fourth, it would help to attract and maintain the high caliber of civil servants that our Nation needs to continue to operate effectively. The inadequacy of current retirement benefits is an important cause of the continued loss of competent personnel to private industry. As the Senate Post Office and Civil Service Committee stated in its report of April 18, 1959:

Failure of the Government to keep pace with industry in retirement matters has been given as one of the reasons why it has become so difficult to attract scientists, engineers, doctors, nurses, and other types of professional and skilled personnel needed to staff and efficiently and economically perform a multitude of Federal services.

My bill would also be a very effective way, in the future, to induce people to make their careers in the civil service. Fifth, and most important, by establishing a permanent and automatic adjustment mechanism, retirement benefits would no longer depend on transitory and piecemeal legislation. In the past, annuity adjustments voted by Congress have not kept pace with actual needs. For example, the cost of living climbed 108.1 percent from 1939 to 1958, but the most liberal annuity increases to retirees did not exceed 92.7 percent. Furthermore, Congress has not voted any increased benefits since 1958, even though the cost of living has risen 3.8 percent during this 5-year period. Passing a statute which would automatically adjust these annuities to rises in the cost of living would clearly solve the problem. It is important to note that both the administration and the Budget Bureau support this legislation.

The Federal Government recognized the need to adjust civil service annuities periodically to correspond to increases in the cost of living when it provided six adjustment raises in the past 14 years. But this is not enough. A more responsive and scientific method for establishing annuity increases is urgently needed. H.R. 11833 would accomplish this objective. The bill would provide similar benefits to each survivor who is receiving or entitled to receive an annuity. It is hardly necessary to belabor the desirability and justice of this aspect of my bill.

The fixed incomes that these retired employees receive in a period of rising prices do not allow them to cope with current requirements. Their purchasing power steadily declines. Their only source of relief is the constructive action which the Congress should speedily take to correct these deficiencies. Therefore, to keep competent people in Government, to encourage others to go into Government, and to provide some very necessary retirement legislation, I urge favorable action on my bill, H.R. 11833. Thank you for allowing me to express my strong conviction that a grateful nation cannot do enough for

those who have loyally and conscientiously served it at a time of great need.

Mr. OLSEN. Thank you, Mr. Zelenko.

The next witness is Hon. Cleveland M. Bailey, of West Virginia.

**STATEMENT OF HON. CLEVELAND M. BAILEY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF WEST VIRGINIA**

Mr. BAILEY. Mr. Chairman and members of the subcommittee, we must avoid the temptation to consider civil service retirees as being different from postal and Federal employees. The Federal Government has a contract and an obligation to both the active and the retired groups of people in the civil service system.

Currently there are a number of proposals being considered whereby improvements may be made in the civil service retirement system. Among those recommendations, the proposals which have my express support and which are vitally in need of being approved, have to do with adjusting annuities to the cost of living and making sure that survivors are adequately protected.

The previous administration, when approached on its position concerning adjustment of annuities of persons currently retired said that when the employees entered into retirement they did so with the full realization of the amount of income they would be entitled to receive for the balance of their natural lives.

The Kennedy administration, by contrast, has taken a far more enlightened attitude. Chairman John W. Macy has declared for the administration that the Government has an obligation to make sure that the standard of living available to an annuitant at time of retirement will be maintained throughout the balance of his life. The obvious way to accomplish this is by relating annuities to the cost of living.

The administration has indicated it would accept a formula whereby annuity adjustment would be made whenever the cost-of-living index rises by 5 points or more. My personal inclination is toward adjustment when the index fluctuates 3 points. If this were to be done and if the change were to become effective in the very near future, persons currently retired would be entitled to a small increase based on the change in the cost of living since annuities were last adjusted in 1958. If a 5-point figure were to apply this would not be true and there would be no current adjustment.

It is my intention to support any recommendation which would provide for retirees an adjustment in current income comparable to that to be enacted for active employees, at this session of Congress. The figure 5 percent has been mentioned as a suitable increase for retirees. In my opinion the 5 percent is acceptable provided that it is related to the 3-point rise in the cost of living as well. The combination of these two factors should at least come reasonably close to providing an equitable adjustment for current retirees.

My thoughts on retirees apply equally to their survivors. The fact that Congress has enacted a statute to provide survivorship benefits indicates that we have not only the letter but the spirit of the law to uphold and that any adjustment in the annuities of current retirees should apply also to the survivors of former annuitants. Accordingly,

in my opinion, the 5 percent basic increase plus 3-point adjustment for cost-of-living purposes should apply to survivors as well.

The civil service system in the United States has functioned extremely well. The family of citizens comprising the civil service system are a stalwart segment of the best side of American society. Whether or not this Congress chooses to enact legislation for the enhanced economic status of civil servants and annuitants, the loyalty of this group of people will be undiminished and their fervor for our way of life will be sustained at the same level now prevailing.

However that may be, we do have an obligation to both groups, and I hope that before this Congress goes home, relief for active employees and also for retirees will be provided.

Mr. OLSEN. Thank you, Mr. Bailey.

The next witness is Hon. Abraham J. Multer, of New York.

STATEMENT OF HON. ABRAHAM J. MULTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. MULTER. Mr. Chairman, I am delighted to have this opportunity to set forth my ideas on the subject of annuities for retired Federal employees, and to speak on behalf of my bill, H.R. 1056.

The financial plight of many annuitants is very serious, as I am sure all of us here realize. I am confident that this subcommittee will favorably report a good bill, and that Congress will pass it.

A strong argument can be made, it seems to me, that the whole Federal retirement program may be in need of careful scrutiny. As I will point out, much of this system is a hodge-podge of laws each designed to deal with a specific situation or to cover only certain groups. Recent legislation shows very little system or internal consistency. A body of laws dealing with retirement is not likely, at best, to be very simple, but it does seem unnecessary that it should be quite as complex as that which now covers Federal retirees.

By far the most important thing about the retirement system, however, is that it should be equitable, just, and adequate for the times. Unfortunately, the Federal program falls short of these objectives in many particulars.

Many of these shortcomings are, perhaps, understandable. The Federal retirement system was established by the Civil Service Retirement Act of 1920, and since that year more than 100 laws have been passed to amend, improve, and keep it as much up with the times as possible.

There has been no general annuity increase since 1956, and this one applied only to future retirees. Furthermore, there has been no increase of any kind since 1958, and this one benefited only those who had retired prior to 1956.

I am convinced that annuities now being paid to pre-1956 retirees are wholly inadequate. It is for this reason that I introduced on the opening day of the first session of this Congress my bill, H.R. 1056. This measure would raise substantially, on a sliding scale, the benefits paid to these earlier retirees who, I think, may be feeling the greatest amount of economic pressure.

On the first \$1,500 of every annuity now being paid, I would in my bill grant an increase of 30 percent to all who retired between 1920 and October 1951. This percentage of increase would go down by 1

percent for each year for those who retired between October 1951 and October 1956. Thus, for those who retired between October 1951 and October 1952, the increment would be 29 percent; between October 1952 and October 1953, 28 percent; and so on. The final category would include those retiring between October 1955 and October 1956, and they would be entitled to a 25-percent increase on the first \$1,500 of their annuity.

On any annuity in excess of \$1,500 all of these pre-1956 Federal retirees would receive an increase of 10 percent.

There are two general limitations in my bill that would apply to all of these adjustments. The first is that no increase for any individual shall exceed \$750 per year; the second is that no part of the increase shall be computed on any annuity purchased by voluntary contribution.

My bill provides further that all annuity increases granted by it shall also result in additional benefits for survivors. It repeals the limitations placed on annuities under Public Law 84-369.

Let me turn now to another bill under consideration by this subcommittee. I refer to H.R. 10706. Its author, Representative Olsen, my distinguished colleague from Montana, has shown a keen interest, concern, and understanding of the problems of Federal annuitants, and these qualities are reflected in his bill. I should like to point out some of the features of this measure that I find appealing.

An important provision of this bill would increase annuities of retirees and survivors by the same average percent of increase, as determined by the Civil Service Commission, as that granted to active Federal employees under the Classification Act the next time their pay is raised. Thereafter, on an annual basis, annuities would be adjusted to keep up with each rise of 1 percent or more in the cost of living, again as determined by the Civil Service Commission on the basis of the Consumer Price Index.

It seems to me that this concept has much to be said for it. If this plan were to be adopted, the Government would automatically meet its obligations to Federal retirees in dollars the purchasing power of which would remain constant.

Perhaps the most interesting and thought-provoking idea in H.R. 10706 is the plan for the interchange of credits between the Federal civil service retirement system and the retirement program under social security.

As these two systems now operate it is possible for a person to have worked hard for many years, part of them under one plan and part under the other, only to discover when his working days are over that he has inadequate retirement income under either system separately or both combined.

For example, if a person works for 2 years under social security and spends the rest of his career in Government, he gets no benefits at all from the money he and his employer in the private economy had paid into the old-age and survivors insurance fund.

Under Congressman Olsen's bill, however, these 2 years would not be lost. By paying into the civil service retirement fund an amount equal to the difference between what he paid under social security and what he would have paid had he been in the Federal service for those 2 years, this person would salvage both this time and his money.

A related provision of this bill authorizes the transfer of Federal retirement credit to social security in those cases where a person has worked for the Government for fewer than the 5 years required to receive any benefits at all. This transfer of credit could take place whenever it could be demonstrated that it would favorably affect the employee's social security benefits.

Let me point out one more feature of H.R. 10706. It would remove the existing option in the law under which the retired civil servant may either take a reduced annuity and provide for a surviving spouse or collect a larger annuity without this survivor provision. This section of the law has sometimes resulted in a survivor being left with no income. The Social Security Act allows no such option, and the Civil Service Retirement Act should be amended, as Congressman Olsen's bill would do, to require such compulsory and automatic protection.

The need for increased annuities at this time is, I am sure, almost universally acknowledged. There has been no real adjustment in these benefits since 1956 inasmuch as the 1958 law applied only to those who had retired before the 1956 amendments.

There have been many changes in the economy in the past 6 years, but for the Federal annuitant they can be summed up by stating that the squeeze brought on by living on a fixed income in an increasingly expensive world has steadily intensified.

First, the simple pleasures must be given up, then the small comforts and amenities of life; and finally, in too many cases, the necessities themselves must be compromised in an attempt to make ends meet.

Surely, those who have given their working years in long and loyal service to their Government are entitled at the very least to a life of dignity in retirement, free from the fears of severe financial pressures.

Unfortunately, many do not enjoy even this minimal assurance, and I feel strongly that it is the responsibility of Congress, starting perhaps with this subcommittee, to provide the remedy.

I urge, therefore, that this subcommittee move ahead as rapidly as possible in this important work. I urge that it report favorably a bill granting the substantial annuities much needed and much deserved by Federal retirees.

I believe that my bill, H.R. 1056, is such a measure, and I believe that there is much merit in Representative Olsen's bill, H.R. 10706.

It is my sincere hope that this subcommittee will give these bills its most earnest and thoughtful consideration. Thank you.

Mr. OLSEN. Thank you, Mr. Multer.

The next witness is Hon. Chester E. Merrow, of New Hampshire.

STATEMENT OF HON. CHESTER E. MERROW, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. MERROW. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to present this statement in support of H.R. 12033 designed to deal more equitably with our retired Federal employees. My testimony is given not only in support of my own bill, H.R. 12033, but also in support of such other measures as may be before the committee as would grant retired Federal workers and

their survivors increased benefits under the Civil Service Retirement Act.

Mr. Chairman, the civil service retirement system is one of the oldest and most respected programs of its kind in the United States. Enacted some 15 years before the Social Security Act of 1935, it has been broadened, extended, and improved over the years. Congress has always been solicitous that it should be fair and adequate. A major extension of the program, especially with regard to benefits for the survivors of deceased retirees, was enacted in the Civil Service Retirement Act Amendments of 1956. But over the years there have also been many annuity adjustments for those already retired. So-called cost-of-living adjustments were enacted in 1926, 1930, 1946, 1948, 1950, 1952, 1955, and 1958. However, the 1958 increase applied only to persons retired prior to October 1, 1956; and therefore failed to cover other retirees whose income was being reduced by the constantly rising cost of living.

These annuity adjustments demonstrate a continuing recognition by the Congress that in keeping with the civil service retirement system, benefits should be adjusted in line with increased living costs.

My bill would provide both an immediate and a long-range solution for the problem of maintaining the civil service retirement annuity on a basis reasonably commensurate with increases in the cost of living. The immediate solution proposed is a percentage increase in annuities effective on the date of the enactment of the legislation. The long-range solution is for future increases in annuities for retirees on the rolls whenever there is a general salary increase for Federal classified or postal employees or whenever the formula for the computing of retirement annuities may be liberalized. As already noted, the percentage increase would go into effect upon its enactment. My bill provides for a 20-percent increase on the first \$1,500 of an individual's annuity and a 10-percent increase on the annuity over the initial \$1,500.

I think that an immediate increase is justified on the basis of the living cost increases as well as increased living standards that have occurred since the close of World War II. I say this while giving full recognition to the increases that have already been enacted during this same period. The last annuity increase was in 1958. Since then salaries of Federal employees have been increased with no commensurate increase in annuities. Moreover, such increases as have been made have not kept pace with the shrinking value of the annuity dollar. An immediate increase, therefore, is a necessary prelude to the second section of my bill providing for annuity increases tied in with future Federal salary increases. It is necessary in order to place the retirees on a more equal footing with salaried workers.

The committee will perceive that immediate salary increases are, to some degree, weighted in favor of persons with small annuities. The first \$1,500 of an annuity would be raised 20 percent, while amounts over \$1,500 would be raised 10 percent. No one can dispute the fact that a person has a hard time today in living on \$1,500 a year. These lower paid annuitants needs the most help and my bill provides them with extra help. At the same time it should be remembered that all annuitants would receive a 20-percent increase on the first \$1,500 of their annuities. In this sense all are treated equally and

I do not think that the bill discriminates in favor of one group at the expense of the other.

Section 2 of the bill, which would gear civil service retirement annuities with salary levels for Federal workers (or with future liberalizations in the retirement system itself), is in my opinion long overdue. The history of annuity increases voted by Congress points up the need to have a fixed orderly method of keeping annuities in line with increased living costs. Section 2 of my bill provides for this need in a reasonable and logical manner.

Mr. Chairman, there are several things that we should keep in mind in dealing with the civil service retirement system. One of these is that it is a staff retirement system designed to attract and retain the best qualified people in Federal employment. This is particularly important today and I have no doubt will continue to be important in the future if the Federal Government is to keep pace with industry in attracting scientists, engineers, top administrators, and other highly skilled personnel. My bill would make the program more attractive by guaranteeing to future Federal workers that when the time comes to retire they will be guaranteed an annuity reasonably stabilized with living costs and that their savings and Federal contributions will not be eaten up by a creeping inflation.

Another consideration should be kept in mind; namely, that most Federal workers are dependent entirely upon their earnings to pay for their living expenses and for those of their families. Their earnings can hardly be called lucrative. The Federal worker can save little while in Government service. Fortunes cannot honestly be made in Government employment. Upon retirement, as a rule, the civil servant is entirely dependent for support on retirement annuities. The annuities must, therefore, be adequate to maintain him at a decent standard of living. No less than this is called for after a lifetime of service devoted to the Federal Government.

In closing, permit me to make a further comment for the record. An annuity of \$150 a month seemed adequate for the needs of a man and his wife when the social security system went into effect. But that was in 1935. Today, a recent survey in Washington states that \$3,000 a year is required for the modest necessities of life in the District for such a couple. I do not pretend to vouch for the accuracy of the survey and its conclusions. However, I am sure that the \$150 a month will not now buy anywhere nearly the food, shelter, and clothing that it did in 1935.

Therefore, a retirement, earned over a 20-, 25-, or 30-year period, which may have looked substantial when it began, may today, as a result of financial vicissitudes, bear relatively small resemblance in purchasing power to that represented at the beginning.

The cost-of-living index has not stopped climbing. Last month, it rose again. The Congress has recognized the need to make corrections repeatedly as I have already noted. But in all of these cases, the legislation only caught up with the existing situation, while the inexorable climb of the cost of living continued, with the retiree on the short end every time.

Knowing my colleagues as I do, I am sure that you agree that this is neither fair to those who have served America well, nor wise treatment for those who may contemplate Government service as a career.

I offer my bill, H.R. 12033, as a step to improve the civil service retirement system. At the same time I am willing to support any proposal directed to the same purpose.

Mr. OLSEN. Thank you, Mr. Merrow.

The next witness is Hon. Seymour Halpern, of New York.

STATEMENT OF HON. SEYMOUR HALPERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HALPERN. Mr. Chairman and members of the subcommittee, I appear this morning to present the problems of our most neglected citizens—those who have retired after having devoted faithful careers to our public service, and their dependents and survivors. In my State of New York, we had 43,437 civil service annuitants on June 30, 1961, according to the latest published figures, and we probably have about 45,000 today. Only one other State, California, has more. The total for the United States was 559,120 a year ago, and is probably nearly 600,000 today. Annuity checks received by civil service annuitants in the State of New York last year averaged \$140 per month, which was a little above the national average of \$136.57 per month. Throughout the Nation in 1961, 22 percent of these civil service annuities were less than \$50 per month, and only 53 percent equaled or exceeded \$100 per month. Less than half of the retired employees, and less than 95 percent of the survivor annuitants, received as much as \$150 per month.

As of June 30, 1961, the same basic date as that used for the annuity figures, the average salary under the Classification Act was \$6,211 per annum or \$517.60 per month. Your committee has had ample evidence presented that this is inadequate for employees and their families. If \$500 a month is inadequate for a worker in the prime of life, how can an annuitant with additional expenses live on \$136 a month?

There has been no general increase in annuities since Public Law 84-369, which was approved August 11, 1955. A limited increase for persons retired before October 1, 1956, was approved in Public Law 85-465, on June 25, 1958, but it was more in the nature of an adjustment than an increase. Less than half of the retired employees now on the retirement rolls have received any increase in annuity since the date of their retirement.

In the meantime, costs of living have mounted for annuitants the same as for employees. Reports published by the Bureau of Labor Statistics of the Department of Labor, based on the 1957-59 average as 100 percent, show that prices averaged 93.3 percent in 1955 and mounted to 105.2 percent in May 1962. These figures show actual increases of 12.8 percent in the average cost of living since the last general annuity increase in 1955. During this same period, the average salaries for employees in civil service positions have increased more than 20 percent. New legislation is now pending to boost Federal salaries much more.

I am fully in favor of fair salaries for our employees. I think that every person who works in our civil service ought to be paid at least the equal of salaries paid in private industry. I also think that salaries ought to be adjusted whenever necessary to meet higher liv-

ing costs, not merely the increases indicated by the cold statistics published by the Government, but to meet costs of living by ever-increasing standards customary to our way of life. Government employees should advance with all other citizens in capacity to enjoy the fruits of our productive growth.

Our senior citizens are not now able to fight for their share of the benefits of progress. They are now nearing the end of careers of striving for the fruits we are now enjoying. Those who worked in the civil service were promised retirement in line with their salaries and length of service. Now they find that inflation has robbed them of the value of their retirement dollars, and many of them are in need. They cannot understand why they should not have the same consideration for cost-of-living adjustments as that given to employees.

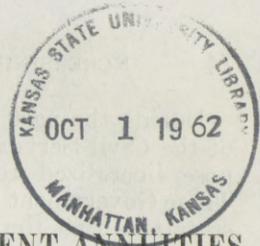
This is not only discouraging to persons already retired. Many of our employees who observe the neglect shown to annuitants will conclude that the Government service is not a proper place to spend a career, and will seek other employment that offers greater promises. If our Government is to survive in the space age, it needs all of the most competent employees it can recruit and keep. There is no economy in skimping benefits for annuitants and losing our best employees as a result.

You have before you many bills proposing different solutions. I urge favorable consideration of H.R. 6444, which would assure that in the future, at least, there will be no more discrimination against retired employees and their dependents and survivors whenever salaries of active employees are increased. It is only fair that civil service annuities should be adjusted simultaneously with general adjustments in Federal employees' salaries on the same average percentage, with the protective restriction that no initial annuity should be decreased in such adjustment.

Mr. OLSEN. Gentlemen, the committee will be in recess subject to the call of the chairman. I understand there is not any possibility of our continuing these hearings until perhaps next Friday because all of next week the committee's time is taken up with other matters.

So we will recess subject to the call of the Chair.

(Thereupon, at 12:10 p.m., Friday, July 13, 1962, a recess was taken subject to the call of the Chair.)



INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

THURSDAY, AUGUST 30, 1962

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

The subcommittee met, pursuant to recess, at 10 a.m. in room 215, House Office Building, Washington, D.C., Hon. Arnold Olsen (acting chairman) presiding.

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

This morning this subcommittee, which has under consideration 46 related bills proposing adjustments in the annuities of retired Federal employees, will resume hearings.

The first witness this morning will be Mr. John W. MacKay, president of the National Postal Union.

Mr. BROYHILL. Mr. Chairman, if I may interrupt at this point. It is getting late in the session, and I am in hopes that the committee can possibly go into executive session at the end of the hearings this morning or certainly complete the hearings today so that we will have a better chance of taking some action on this legislation during this session of Congress.

Mr. OLSEN. I am very happy to hear you say that. I hope that the witnesses take notice of your point.

Mr. WALLHAUSER. In which I concur.

Mr. OLSEN. Thank you.

Mr. MacKay, will you proceed, please.

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

Mr. MacKAY. My name is John W. MacKay, president of the National Postal Union with offices at 509 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, we are very greatly encouraged to hear the remarks of your colleagues suggesting prompt consideration and action on these measures. We would like to submit our statement for the record, if we may, sir. It contains a résumé of the retirement program of our national union.

Before I conclude, Mr. Chairman, I would like to address a few remarks to the committee on some of the previous testimony that has been offered here on this legislation, particularly that that has emanated from the U.S. Civil Service Commission.

During the past decade, we have frequently heard representatives of the Civil Service Commission and the Bureau of the Budget oppose liberalized retirement on the basis of "actuarial solvency." These Government witnesses frequently conjure up frightening representations that the retirement fund is "going broke," "insolvent," et cetera. Though we do not profess extensive actuarial proficiency in this regard, we do understand their contentions are based upon the assumption that all existing and future claims on retirement reserves might suddenly become due and payable at some precise moment in the immediate future. While this contention appears somewhat absurd to us, we believe it merits brief consideration to dispel the doubt and apprehension it seeks to implant among our citizenry. We contend that had the Federal Government consistently paid its full contributions to the retirement fund, since its inception, and had proper interest been charged on the use of civil service retirement funds by the Government for other purposes, there would remain shallow ground upon which to base a claim of insolvency.

Mr. Chairman, when the Chairman of the Civil Service Commission, the Honorable Mr. Macy, was here testifying, he mentioned that increases to these pre-1956 annuitants comprising about half the current annuity roll have more than kept pace with the rise in the cost of living. Now, with all due respect to the spokesman for the Civil Service Commission, I would like to suggest that the Commission be asked to differentiate between percentage increases as such and the actual dollar gain, the net dollar gain, that has been provided for these pre-1956 annuitants, the great percentage of whom, the overwhelming majority of whom receive annuities that certainly are substandard and certainly do not even come close to matching the current cost of living.

My final comment, Mr. Chairman, is simply to call your attention to the very interesting report which the Civil Service Commission issues annually. The last one for fiscal 1961 illustrates, I think very emphatically, the fact that the retirement fund is able to afford considerable liberalized retirement legislation.

I would like to point out that since 1921 the retirement fund has taken in total receipts of \$19,700 million, and during the same period of time it disbursed but \$8,597 million. In other words, during this period of time since 1921, gentlemen, there has been an actual surplus accumulated in the retirement fund, or a surplus credit, if you please to call it that, of \$11,100 million.

It seems to us that the cries of alarm that the retirement fund is insolvent and that there is not money for liberalization is an exaggeration of the facts as they actually exist. We want to place ourselves emphatically on record for these two bills. We think that the time is long past when they should have been legislated into law. And we certainly want to commend you, Mr. Chairman, and the members of this committee for your interest and action on these measures.

Thank you.

Mr. OLSEN. Thank you very much, Mr. MacKay.

Are there any questions?

No questions. We will proceed to the next witness.

Mr. WALLHAUSER. I just want to commend Mr. MacKay for his fine presentation, Mr. Chairman.

Mr. MacKAY. Thank you, Mr. Chairman.

Mr. OLSEN. Thank you.

(The complete text of the prepared statement of Mr. MacKay 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 H.R. 3316, and H.R. 10706 and related legislation. We wish to express our appreciation to the authors for introducing the legislation under consideration which would be a long-sought improvement for postal and other employees under the civil service retirement system.

H.R. 3316 and H.R. 10706, bills to amend the Civil Service Retirement Act, would provide for increases in annuities, eliminate the option with respect to certain survivor annuities, and provide for interchange of credits between civil service retirement system and social security.

The national postal union would like to go on record in support of H.R. 3316 and H.R. 10706 and related bills. We believe the enactment of this legislation is long overdue and that it may be accomplished before Congress adjourns this year. We are submitting for your information the retirement resolution adopted at our last national convention held in Detroit, Mich., in August 1960 which emphasizes the importance our membership places upon liberalizing the Civil Service Retirement Act.

- (1) Elimination of the 1-percent deduction per annum between the ages 55-60.
- (2) All annuities to be tax exempt.
- (3) Elimination of all deductions assessed for the privilege of selection of widow's and dependents' annuities.
- (4) Optional retirement after 25 years of service regardless of age, based upon 2½ percent of the highest 1 year of service, multiplied by the number of years of service, not to exceed 100 percent of the salary.
- (5) Opposition to any attempt to merge with social security.
- (6) Opposition to any attempt to increase the present 6½-percent deduction of the employees' basic salary.
- (7) Extension of all benefits to former employees now on the retirement rolls.
- (8) All salary increases be immediately reflected in retirement benefits to all annuitants.
- (9) Full Government appropriation of its equal share since the conception of the act in 1920.
- (10) The proviso of 5 years of civilian service under the survivors benefits under the death claim be changed to read, "immediately upon becoming a member of the civil service retirement fund."

(11) The following new provision be added under the section of the retirement law listed "Joint and Survivor Elections": An employee who has made a joint-and-survivor election to provide an annuity for his wife at his death, may revoke that election if he wishes. His reduced amount then will be raised to the full amount when a wife or husband for whom the election was made predeceased the employee the election is automatically revoked.

Citizens with a fixed income during the past several years have been adversely affected by the continuing inflationary spiral. Retirees from Federal Service and their survivor annuitants were among those most directly affected. We have long advocated granting increases in annuities to Federal retirees and their survivor annuitants whenever conditions warrant pay adjustments for active Federal employees. This objective is accomplished in the pending legislation before this committee. We wish to express our wholehearted approval thereon. We believe H.R. 10706 will provide a measure of justice to those employees of the Federal Government deprived by present law of proper credits under the Civil Service Retirement Act and the social security system. We are in accord with the provisions of H.R. 10706 which permit a transfer of social security credits to the civil service retirement system and vice versa.

IMPORTANCE OF H.R. 10706 FOR RECRUITMENT

Civil service retirement, established in August 1920, has long been a most cherished employee fringe benefit. Actually, the retirement annuity constitutes

the only real security most civil servants possess during their declining years. Fundamentally, most civil service personnel, in the postal or the classified field, remain in the lower salary levels. Their lifetime earnings are spent on necessities as well as education of their children. Their savings exist in their obligatory contributions to the retirement fund.

ACTUARIAL SOLVENCY

During the past decade we have frequently heard representatives of the Civil Service Commission and the Bureau of the Budget oppose liberalized retirement on the basis of "actuarial solvency." These Government witnesses frequently conjure up frightening representations that the retirement fund is "going broke," "insolvent," etc. Though we do not profess extensive actuarial proficiency, in this regard, we do understand their contentions are based upon the assumption that all existing and future claims on retirement reserves might suddenly become due and payable at some precise moment in the immediate future. While this contention appears somewhat absurd to us, we believe it merits brief consideration to dispel the doubt and apprehension it seeks to implant among our citizenry. We contend that had the Federal Government consistently paid its full contributions to the retirement fund, since its inception, and had proper interest been charged on the use of civil service retirement funds by the Government for other purposes, there would remain shallow ground upon which to base a claim of insolvency.

In the final analysis, the solvency of the retirement fund, established by law of the land, depends upon the full credit and solvency of the Federal Government. We sincerely doubt this dynamic Government of ours shall ever experience actual bankruptcy or an inability to meet its just obligations.

ENDORSE H.R. 3316 AND H.R. 10706

We cannot emphasize too emphatically the need for the passage of H.R. 3316 and H.R. 10706 which would alleviate financial hardship for retired Federal employees and improve the present Civil Service Retirement Act.

Mr. Chairman, we urge an early and favorable report on this legislation. We express our appreciation to you and the members of this subcommittee for your personal interest and for giving the National Postal Union an opportunity to appear before you this morning.

Thank you.

Mr. OLSEN. The next witness is Mr. Glenn Simcox, president, National Association of Retired Civil Employees; and he is accompanied by Mr. John A. Overholt, legislative representative. Mr. Simcox, will you proceed, please.

STATEMENT OF GLENN SIMCOX, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY JOHN A. OVERHOLT, LEGISLATIVE REPRESENTATIVE

Mr. SIMCOX. I am Glenn R. Simcox, president of the National Association of Retired Civil Employees. We have a group of 104,000 retirees and survivors; so that we represent very fully the retirees in general.

I am not going to take the time of the committee to read the statement that we have prepared. I would far rather file it with the committee, in the hope and expectation that the committee will proceed very promptly in reporting the bill to the full committee.

I thank you.

Mr. OLSEN. Thank you.

Are there any questions of Mr. Simcox?

Mr. BROYHILL. Mr. Chairman, Mr. Simcox is not only a constituent but a close personal friend of mine. I would like to take this opportu-

nity of commending him on the outstanding job that he has done for the National Association of Retired Civil Employees. I have had the privilege and pleasure of working very closely with him in his many efforts in improving conditions for them.

There is one question I would like to ask Mr. Simcox, and I do not know whether you touched on it in your statement or not. One thing that has always disturbed me about the way we have gone about trying to correct the inequities which exist for those who have retired in prior years is the fact that we always lag somewhat behind in these cost-of-living increases. I have tried to promote and recommend the system that we use for the District of Columbia Police force and Fire Department, wherein those who are on retirement get the same amount of annuity or the same increase in their annuities that the active police and firemen receive in salary increases right along.

I am in hopes that we could have some system similar to that for the retired civil employees. And because we do not, I am afraid that there is a possibility that we could further compound the inequity; for example, let us say if we could get through a bill here providing a 10-percent increase for those on retirement, what happens to the employee—I am using a hypothetical example; let us say an employee that retired on July 1, 1962, as a GS-9 or 10 or whatever it may be, and the employee who retires on, let us say, November 1, and, presuming that is after this legislation we are considering today becomes law, who may receive and would receive less, would he not?

Mr. SIMCOX. Yes, sir.

Mr. BROYHILL. Would receive less than the employee who retired on July 1.

Here we are trying to correct inequities and improve the living conditions for those on retirement, but yet we do create another inequity by not providing the same increase for the employee that retires subsequent to this legislation becoming law.

Do you have any comments to make on that or have you given any thought to that possible inequity that would arise?

Mr. SIMCOX. Yes. We have given a great deal of thought to it, because it is one of the fundamental problems of our organization and of the retirees generally.

The situation down through the years has been basically the same. We come before Congress because inflation has put our people in a financial jam. That jam has already occurred before we appear. So is it during that period of 2 or 3 or 4 years, whatever it may be, that retiree has been suffering from the inflationary trends, and I have no expectation that inflation will stop. The result is that, even though Congress is good enough to bring us up to date, that individual did suffer during that interim of several years.

Then after the law becomes effective, assuming that inflation does continue, a new cycle develops; so that the next month or the next 3 months again that retiree is suffering a penalty because of the depreciated dollar. We would like very much in some way to work out some provision whereby there could be an adjustment made periodically in that respect.

The Senate bill, which is on the Senate Calendar and probably will pass the Senate any day, meets that situation. Mr. Olsen's bill also.

Mr. BROYHILL. It meets the situation. I understood that that was the 5-percent increase, though.

Mr. SIMCOX. I was referring to an automatic increase.

Mr. BROYHILL. Oh, I see. Yes.

Mr. SIMCOX. Which would solve that interim period that we are constantly struggling with. It is one of our very serious problems, as a matter of fact, Mr. Broyhill.

Mr. BROYHILL. I certainly agree with you that the retired employees are behind in these cost-of-living increases. I was probably laboring in mind a technical point as to that employee that has not been on the rolls that might retire just prior to this legislation becoming effective. He is going to benefit more than the employee that retires a day after it becomes effective.

Mr. SIMCOX. That is correct. Although both of them are in effect having to pay the same money at the grocery store or any other place where they are spending their money. One of the individuals would have gotten the benefit of the increase; the other, who retired say 30 days later, did not get it. We hope that in your consideration of legislation for the retirees you will bear that in mind. It is very vital.

Mr. BROYHILL. We had the very same problem at first when we passed the new Retirement Act of 1956, where those who retired just prior to that were unable to benefit as a result of the new liberalized benefits in that bill.

Mr. SIMCOX. That is correct. And the new individuals still have had no amelioration at all. The man that retired after October 1 of 1956 is still drawing exactly the same retirement pay that he drew then, although inflation has cut badly into his retirement check.

Mr. OVERHOLT. I would like to offer one thought.

You will find in our statement a suggestion that, in order to make up for this lag where the annuity increase always follows rather than parallels inflation, we suggest perhaps instead of a 3-percent increase when there is a 3-percent rise, that they give a 3-percent increase when there is a 2-percent rise, so as to project that to even off the delay. That might be worth considering to your committee.

Mr. BROYHILL. You say that is in your statement?

Mr. OVERHOLT. That is in the statement.

Mr. BROYHILL. Thank you.

Mr. OLSEN. Any more questions?

Mr. ICHORD. I have a question, Mr. Chairman.

Mr. Chairman, this measure provides a 5-percent increase. And coming in late, I wonder if the record shows whether or not there is any increase in either the contribution by the employee or by the Government to take care of this?

Mr. SIMCOX. The contribution is 6½ percent on the part of each.

Mr. ICHORD. I say is there any increase in contribution provided?

Mr. SIMCOX. No, no proposal.

Mr. OLSEN. If the gentleman would yield, if I may, the increased contribution would be because of increased salaries. The 6½ percent would be a larger figure too.

Mr. ICHORD. Is this bill predicated upon the increased salary? In other words, will the rate of contribution, 6½ percent, on the increased salary take care of this 5-percent increase and will it still be actuarially sound?

Mr. OLSEN. I think so.

Mr. ICHORD. I did not ask for thinking so, Mr. Chairman. Will it or will it not?

Mr. OLSEN. The fund is going to be solvent, insofar as this increase is concerned, for many years to come. The question of solvency will be related more to the Government catching up on its contribution or catching up on those contributing years when they fail—

Mr. ICHORD. Yes. We have now a \$33 billion deficit in the civil service retirement fund. The question that I am asking specifically—perhaps I did not phrase my question very well—if the Government had made its contribution as it should have several years ago, and particularly during the Eisenhower administration when most of this deficit occurred, will the increase in salary by the salary bill which we recently passed take care of this increased annuity? Would it be actuarially sound if the Government made its contribution? Of course, the fund is not actuarially sound now.

Mr. OLSEN. If the gentleman will yield; we would have more than enough room to provide for this increase. We would be able to provide for a great deal larger increase than this for the annuitants, assuming facts.

Mr. ICHORD. Then the gentleman is saying that the increased amount going into the civil service retirement fund will take care of this increase?

Mr. OLSEN. Very definitely.

Mr. ICHORD. The increased amount due to increase in salary?

Mr. OLSEN. Very definitely.

Mr. SIMCOX. I might say to you, sir, that this actuarial deficiency that that we hear about so often, as Mr. MacKay, the previous witness stated, is predicated on the theory that all of the retirees, all of the active employees, would retire at the same time. And that is not going to happen, of course.

Mr. ICHORD. If I may interrupt you there, sir.

Mr. SIMCOX. Surely.

Mr. ICHORD. Is it not true that to have a civil service retirement fund that is actuarially sound we need \$33 billion more in the fund at the present time?

Mr. SIMCOX. That would be technically correct.

Mr. ICHORD. Now let us pursue that further. The gentleman from Iowa, Mr. Gross, who is a member of the full committee, has stated that our national debt is really in excess of \$300 billion, that it is \$330-odd billion. The question I want to ask you, if you know, sir, is this \$33 billion in the deficit in the civil service retirement fund counted as a part of the debt of the U.S. Government?

Mr. SIMCOX. I could not answer definitely, but I assume that it is not.

Mr. OLSEN. No.

Mr. ICHORD. Thank you.

Mr. BROYHILL. Will the gentleman from Missouri yield?

Mr. ICHORD. I will gladly yield to the gentleman.

Mr. BROYHILL. I think the further answer to your question there about whether this increase would be automatically funded by the—what is it, salary increase?

Mr. ICHORD. Yes. It would be the 6½ percent on the increased salary bill which we passed.

Mr. BROYHILL. I do not believe that within itself would provide the funds for the increase. I believe that in order to keep it as actuarially sound as it is right now would require additional appropriation. But this is a question that we have debated for quite some time as to the desirability of keeping this system fully funded. Congress has been negligent in providing the appropriations of keeping it funded. And I think, by law, we are supposed to keep it fully funded. But if we compare the system with the social security system, that is definitely not actuarially sound and it has no intention of being, and it is based on the premise while there is about \$20 billion funds in the social security fund, it is based on the premise that future payments into the fund will take care of future retirees.

Mr. ICHORD. If I may interrupt the gentleman, now, the social security retirement fund is actuarially sound provided we have the increases which are due to occur in the years ahead.

Mr. BROYHILL. It is based on the premise that there will be—well, as Mr. Simcox said, if everybody on social security retired right now, you would be in a heck of a shape.

Mr. ICHORD. That is true. The same is true of the civil service retirement fund.

Mr. BROYHILL. But the system will continue to expand and people will continue to pay into it, and the day of reckoning is perpetually postponed.

And I think what the witnesses are getting at here is that, under the present system, or if we liken it somewhat to the social security system, due to the fact that we have the \$11 billion in the system right now and the funds continue to come in as they will need to come in and we never abolish the Government, we will probably never arrive at a time anywhere in the future decades that there will not be ample funds in the system to pay the retirees.

Mr. ICHORD. Will the gentleman yield?

Mr. BROYHILL. It is a question of whether it is actuarially sound.

Mr. ICHORD. Of course, when we are speaking of a billion dollars, we are speaking of an astronomical figure. Is the gentleman saying that this \$33 billion, which is the debt we owe to the civil service retirement fund, is a debt which will never have to be paid by the U.S. Government?

Mr. BROYHILL. It would.

Mr. ICHORD. It will, will it not?

Mr. BROYHILL. If we brought the thing to a conclusion. I am saying it can work the same as social security, in that we never would possibly have to fund the \$33 billion. I do not think it is good fiscal practice to do it that way, but it could work that way.

Mr. BARRY. Will the gentleman yield?

Mr. ICHORD. I yield.

Mr. BARRY. I think we always approach everything in this committee in as bipartisan a way as possible, and I would not like the implication to be put into the record that it was during the Eisenhower administration that the deficiency on this fund grew to such large proportions. During 6 of the 8 years President Eisenhower was in

office the Democrats controlled the Congress. The power to appropriate and authorize money is a congressional power. I do not like the thought that some reflection might be cast upon the name "Eisenhower," since I do not think he had anything to do with the deficiency.

Mr. ICHORD. I would not cast any reflection at all, Mr. Barry, on our former President, General Eisenhower; but certainly that is where most of this deficit in the civil service retirement fund occurred.

Mr. BARRY. But during the Democratic Congress.

Mr. ICHORD. Certainly. And I think you have forgotten the power of veto which the President of the United States has.

Mr. BARRY. But President Eisenhower did not veto any measure of this kind.

Mr. OLSEN. If the gentleman will yield, he did. There was appropriated a \$5 million item for the civil service retirement fund and Eisenhower vetoed it. This was a gratuitous act of Congressman Thomas on the Appropriations Committee that he sponsored, and it was vetoed.

Mr. BROYHILL. But, Mr. Chairman, I would like to suggest that we proceed with the statements.

Mr. OLSEN. Thank you.

Mr. BROYHILL. I am sure that everyone would agree that if General Eisenhower would return, he would be reelected President today.

Mr. OLSEN. Are there any more questions?

(The full text of the prepared statement of Mr. Simcox follows:)

PREPARED STATEMENT OF GLENN R. SIMCOX, PRESIDENT NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY JOHN A. OVERHOLT, LEGISLATIVE REPRESENTATIVE, AND ALBERT M. DICKSON

My name is Glenn R. Simcox. I am president of the National Association of Retired Civil Employees, and I am accompanied by John A. Overholt, legislative representative of our association, and Albert M. Dickson of our research staff. We appear today in support of H.R. 3314, H.R. 3316, H.R. 10706, and companion bills to increase annuities to match salary increases, to repeal ceilings on annuity increases in 1952 and 1955, and to provide a fair formula for annuity adjustments in the future. We also want to present a general outline of the broad legislative program of our association.

Although we have a selfish interest in seeking improved benefits for retired Federal employees and their dependents and survivors, we are also motivated by our devotion to the public service. Many of us were in active service when the retirement law was first enacted in 1920. We saw the annuity formula liberalized in 1926, 1930, 1942, 1948, and 1956. During most of our Government service we received lower salaries than employees in private industry, but the advantages of a comprehensive retirement system were attractive to us and we rejected offers of higher pay elsewhere. We noted particularly that each liberalization of the annuity formula from 1920 to 1948 applied to persons previously retired by recomputation of their annuities. When the policy was changed in 1948 we noted that an annuity increase was granted in lieu of a recomputation. We also understood the 1958 increase for persons retired prior to October 1, 1956, was to compensate for their exclusion from the more liberal formula applied after that date. We noted that salary increases in 1951 and 1955 were followed by corresponding annuity increases.

Things are different now and we are disappointed. Many of us feel like forgotten folk, or unwanted children. We don't share in benefits to employees as benefits were shared by retirees and employees for over 30 years. Also, we note that discrimination has been most flagrant against those whose long service in important work was most valuable to the Government. In 1952, annuity increases to others were denied to all receiving \$2,160 or more per annum. In 1955, those who had earned annuities of \$4,104 per annum were denied increases

granted to all others. The savings in both cases were insignificant. And now we see the Civil Service Commission argue that the 10 percent adjustment in 1958 was to match salary increases in 1958, when we all know that the bill approved at that time was sponsored as a measure to give benefits to persons retired before October 1, 1956, somewhat comparable to those awarded after that date. This was further demonstrated by the fact that annuity increases under the 1958 act were denied to persons retired since October 1, 1956. Finally, we have seen no action to extend to annuitants any benefits comparable to the general salary increases approved in 1958 and 1960.

It may be significant that during the same period of diminishing concern for civil service annuitants, we have noted a striking increase in efforts to recruit and retain the most capable employees for the public service. We believe that assured advantages under a comprehensive retirement system would provide an employment inducement as valuable now as it was during our careers. But there is no attraction in a retirement policy that discriminates against those who served longest in most valuable service. It is no inducement to long service to neglect low-income retirees in distributing cost-of-living increases. We cannot reconcile the concern expressed with respect to recruiting and retaining the most competent employees with the neglect exhibited in caring for the needs of those retired after long and faithful service.

We thank the subcommittee chairman, Hon. James H. Morrison, and the scores of other Congressmen who have introduced bills to correct or to alleviate the present discrimination against civil service annuitants. Thanks to their efforts, this subcommittee now has a wide choice of measures from which it can make a selection.

At this point, we would like to introduce as an exhibit, a study prepared by Mr. Albert M. Dickson of our research staff, published under the title, "The High Cost of Retiring From the Government."

This report gives a brief history of the retirement system for the past 42 years, and text and tables describing developments during the most recent 14 years. Of particular interest is table 8, which shows average salaries and original annuities of Federal classified employees retired in 1948, 1951, and 1954, and percent increase in original annuities to 1960, compared with 1957 annuities computed under the formula of the 1956 act. This table also shows comparisons between annuity increases and salary increases since 1948, at selected grade levels, ranging from GS-2 to GS-15, for 15, 20, 30, and 35 years of service.

From 1948 to 1960 the increase in annuity for grade GS-2 with 15 years' service, the lowest annuity shown, was 54 percent; it was progressively less for the higher grades and for the longer periods of service; and the increase for grade GS-15 with 30 years' service was 10 percent, and for 35 years, it was 9.2 percent. During the same period, the salary increase in grade GS-2 was 56.3 percent, slightly more than the 54 percent increase in annuity for 15 years' service, but substantially more than the 42.6 percent increase in annuity for 35 years' service. Salary rates in grade GS-15 have advanced 39.9 percent since 1948, while annuity rates for 15 years' service are only 21.7 percent higher; for 20 years' service, 20.9 percent higher; for 30 years, 10 percent higher, and for 35 years, 9.2 percent higher.

We believe the data in this report will be most helpful to you and your staff in the consideration of retirement legislation.

As indicated above, we contend that there has been no general annuity increase legislation since Public Law 84-369, approved August 11, 1955. Public Law 85-465, approved August 1, 1958, was initiated as a bill to adjust inequities in annuities commencing before October 1, 1956, as compared with annuities based on service which terminated later, and was never considered as a general annuity increase bill. In the intervening period since 1955, the Consumer Price Index published by the Bureau of Labor Statistics of the Department of Labor shows a rise from an average of 93.3 in 1955 (1957-59=100) to an average of 104.2 in 1961. This is a change of 10.9 points, or an increase of 11.7 percent. In May 1962 the index rose to 105.2, which showed an increase since 1955 of 11.9 points, or 12.8 percent. This is illustrated by a table showing increases in the Consumer Price Index since 1939, with more detailed figures for 1958, 1961, and 1962, which we offer in evidence.

During this same period since 1955, employee salaries were increased a minimum of 10 percent in 1958, and a minimum of 7½ percent in 1960. The cumu-

lative effect of these increases is that salaries now average 20 percent more than in 1955, without a corresponding increase in annuities. Since the main reason for the salary increases was the increased cost of living, we contend that our annuities should be adjusted on a basis similar to that adopted for increases in salaries.

We are somewhat encouraged to find the Civil Service Commission agreeable to annuity adjustments based on increases in the cost of living, but we are disappointed by their proposal to take 1958 as the base year. We believe that the proper base year is 1955, when the last general adjustment was made to correspond to a salary adjustment. With 1955 as the base year, average annuity increases of 11.7 percent are indicated if we compute only through 1961, and 12.8 percent if the computation continues through May 1962.

We are also encouraged by the Commission's proposal of a statutory formula for automatic annuity adjustments to meet changes in costs of living in the future, but we believe the formula must be adapted to meet the problem. If we have to wait more than a year for relief after any increase in cost of living, the formula should go somewhat beyond the bare minimum adjustment indicated. Also, we favor a somewhat smaller percentage of increase as a base which would warrant adjustment. For example, instead of an increase of 5 percent in annuities a year after the cost of living has risen 5 percent, we suggest an increase of 3 percent in annuities to follow an established rise of 2 percent in the cost of living. Also, instead of a reduction of 10 percent if and when the cost of living drops 10 percent, we suggest that the annuity reduction should not exceed 6 percent, when and if the cost of living should fall as much as 10 percent. We agree that in no event should any annuity be reduced more under the proposed law than the total increases received under such law.

We hope we can win the cooperation of the Civil Service Commission to correct the flagrant discrimination now exercised against a small number of career annuitants retired before October 1, 1956, whose long and distinguished service has merited higher than average annuities. These are the annuitants denied cost-of-living increases by the ceilings included in the 1952 and 1955 Annuity Increase Acts. No single act at this time would do more to reassure scientific and professional careerists than such a simple correction of injustice. The cost would be trifling compared to the anticipated benefits.

In short, we hope for a bill authorizing an immediate adjustment in annuities which has been overdue for some time, correcting the injustice against annuitants with the longest and most meritorious service, and providing a realistic formula for automatic adjustments in the future.

H.R. 10706 and related bills before the subcommittee also propose an interchange of credits between the civil service retirement system and the social security retirement system, and some revision in the method of providing survivor annuities.

We do not object to the proposed interchange of social security and civil service credits, but we are skeptical of any proposal which could be viewed as a step toward the combination of the civil service and social security retirement systems. Our association has repeatedly declared its opposition to all efforts toward such a merger.

Under present law, a retiring employee is offered an election at the time of retirement to take a full annuity for his life only, or to take a reduced annuity and designate his spouse to receive a survivor annuity if such spouse survives him. If he takes the reduced annuity, both he and his spouse will have less to live on, and if the spouse dies first, the annuity still remains at the reduced level. On the other hand, if he takes the full annuity so he and his spouse may have more to live on, it frequently happens that he dies and leaves no provision for the spouse. In the proposal in H.R. 10706 and companion bills, the retiring employee with a wife or dependent husband would be denied any election and would be compelled to take a reduced annuity. This would assure a survivor annuity in every case where the spouse survives, but we do not think it is the best method.

Other inequities can be cited that need correction. Under present laws, there are variable rates of reduction in annuity applied in different cases. There are some annuitants taking a loss of 25 percent in annuity for the privilege of a survivor annuity, while others pay only 2½ percent to provide an equally large survivor annuity. The person who marries after retirement is denied the privilege of a survivor annuity for such spouse, even though he may be taking a

loss in annuity elected to provide an annuity for a previous spouse lost by death or divorce. Our association proposes to correct many of these inequities by a simple plan of providing a survivor annuity to the surviving spouse of every retiree annuitant, provided the marriage was prior to retirement, or had continued at least 3 years if contracted after retirement, without deduction from the original annuity. This proposal is now before the Post Office and Civil Service Committee in H.R. 3313, sponsored by the subcommittee chairman, Hon. James H. Morrison, and numerous companion bills, and we recommend that it be substituted for the survivorship provisions in H.R. 10706.

For the information of the subcommittee, we would like at this time to offer for the record a copy of the report of our national legislative committee at the recent biennial convention in Tulsa, Okla.

We thank the chairman and members of the subcommittee for this opportunity to appear and present our views on pending legislation. We will try to answer any questions that you might have.

MR. OLSEN. We will proceed to the next witness. Mr. C. L. Dorson, president, Retirement Federation of Civil Service Employees.

MR. BARRY. Mr. Chairman, \$500 million would be insubstantial when you compare it to \$33 billion.

MR. OLSEN. If you want to dwell on that just for a moment—and I am new here, you know—but the last year of the Truman administration there was recommended and appropriated about \$325 million. That was the recommended appropriation for this fund. I understand there is a law that says that this should be estimated each year by the Civil Service Commission, who should make a recommendation on the amount to be appropriated to the fund. Eisenhower's record is that the following year his budget only included about \$32 or \$33 million. It should have been 10 times that amount.

I do not like to dwell on it, and I wish that maybe the staff would bring the whole record out some day to give to the members of the committee.

MR. BARRY. I think we should do that.

MR. OLSEN. The whole record, so that we do not argue with it. But I would like to proceed with the witnesses. Thank you, Mr. Barry.

(Subsequent information furnished the subcommittee follows:)

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT AND INSURANCE,
Washington, D.C.

HON. JAMES H. MORRISON,
Chairman, Legislative Subcommittee,
Committee on Post Office and Civil Service,
House of Representatives, Old House Office Building.

DEAR MR. CHAIRMAN: Enclosed is a table showing the estimated deficiency of the civil service retirement system, at the end of certain fiscal years, from 1921 to 1962. Comparable estimates for other years are not available.

The table also shows Government appropriations to the retirement fund over the same period. Beginning with the fiscal year 1958, the amounts are primarily contributions by agencies matching the deductions withheld from their employees' salaries. Direct appropriations in fiscal years 1961 and 1962, totaling nearly \$91 million, were made to cover the cost of benefits provided by Public Law 85-465.

This information is submitted in response to a request on August 30 by Mr. George M. Moore, of your committee staff, who, I understand, was instructed to obtain the material for inclusion in the record of hearings held on that date.

Sincerely yours,

ANDREW E. RUDDOCK, *Director.*

Enclosure.

CIVIL SERVICE RETIREMENT SYSTEM

Estimates of deficiency, and Government appropriations, fiscal years 1921-62

[In millions]

Fiscal year	Deficiency at June 30	Government appropriations	Fiscal year	Deficiency at June 30	Government appropriations
1921	\$249	0	1942	(1)	\$102
1922	(1)	0	1943	(1)	106
1923	(1)	0	1944	(1)	176
1924	(1)	0	1945	(1)	196
1925	287	0	1946	(1)	246
1926	355	0	1947	\$2,866	221
1927	393	0	1948	4,328	246
1928	406	0	1949	(1)	226
1929	404	\$20	1950	4,839	305
1930	730	21	1951	4,875	307
1931	(1)	21	1952	4,938	313
1932	824	21	1953	29,912	325
1933	(1)	21	1954	10,583	35
1934	1,069	21	1955	11,971	34
1935	1,174	21	1956	13,838	237
1936	(1)	40	1957	17,951	531
1937	(1)	46	1958	27,451	584
1938	(1)	73	1959	28,363	754
1939	(1)	75	1960	31,143	749
1940	1,573	87	1961	32,547	890
1941	(1)	92	1962	33,664	896

¹ Not available.

² Valuation by Committee on Retirement Policy for Federal Personnel, with change in valuation assumptions and change in interest rate from 4 to 3 percent.

³ Reflects increase in deficiency due to Civil Service Retirement Act Amendments of 1956.

⁴ Valuation by Board of Actuaries; reflects, among other items, revised valuation assumptions.

Mr. OLSEN. Mr. Dorson, will you proceed, please.

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES

Mr. DORSON. Thank you, Mr. Chairman.

My name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees, with offices at 900 F Street NW., in this city.

Our organization appreciates the interest of the members of this subcommittee and the authors of the bills before you in the welfare of present and retired Federal employees. We are grateful to you for considering the problems to which these bills seek a solution.

Mr. Chairman, for the conservation of time, with your permission I should like to ask my statement in full be included in the record and that I be allowed to just emphasize a few points.

Mr. OLSEN. Without objection, it is so ordered.

(The full text of the statement of Mr. Dorson follows:)

PREPARED STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE UNITED STATES GOVERNMENT

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

Our organization appreciates the interest of the members of this subcommittee and the authors of the bills before you in the welfare of present and retired Federal employees. We are grateful to you for considering the problems to which these bills seek a solution.

If I may, I should like to discuss the general subjects covered by the bills before you, rather than a specific bill or bills, and relate our views with regard to each subject.

The matter of annuity increases is one which has, over the years, been considered by your committee and the Congress with some regularity. In the last 10 years, there have been three general increases in annuities in an attempt to keep their values current. The general result has been good, although inequities have resulted from the methods used. Annuities based on the lower salaries and short service have more than kept pace, but those based on higher salaries and longer service have fallen considerably short. These inequities have been the result, primarily, of the increase limitations imposed by Public Laws 555, 82d Congress, and 369, 84th Congress. Cutoff dates have been another factor.

We favor annuity increases, when justified, and believe there is an obligation to keep annuities current, in reasonable relation to the salary and service on which they were based, on an automatic basis. Assuming that an increase in postal and classified salaries is probable in the near future, a commensurate increase in annuities will, we think, be justified. However, it should be remembered that a full 5 years is required for a salary increase to be fully reflected in the annuities of those retiring thereafter.

If you will examine the tables attached to my statement, they will illustrate, more adequately than words, what has happened to annuities under past adjustment methods and what will happen under present proposals if enacted. The salary assumptions used were 5 years at the top step in each grade at time of retirement, shown on the left; the column headed "Original award" is the annuity received at the time of retirement; the column headed "Current annuity" is the annuity as increased by prior acts of Congress; the left column under "Increase" shows how these annuities would be increased by H.R. 3316 and similar bills if effective July 1, 1962; and the last column on the right shows the effect of a 10-percent annuity increase for those retired prior to July 1, 1962, with a flat 2-percent annuity computation formula, in lieu of the present three-step formula, for those retiring thereafter. The two center columns also illustrate the effect on annuities before and after the cutoff date of October 1, 1956, contained in the 1958 increase act, Public Law 85-465.

Probably the only way to restore complete balance between annuities which began on different dates and remove existing inequities, would be to provide for a recomputation of all annuities based on service which terminated prior to October 1, 1956. One method for doing this is proposed in H.R. 3314, which we endorse, and even this would not be perfect. However, since 1948, recomputation of annuities has been considered impractical, if not impossible, from an administrative point of view.

We do think it both practical and desirable to erase the ceilings on annuity increases imposed by Public Laws 555, 82d Congress, and 369, 84th Congress, as proposed by sections 1 and 2 of H.R. 3314. Such a step would go far toward erasing present inequities and we urge that you give it serious consideration.

Our tables indicate, we think, that an annuity increase of 10 percent for those now on the annuity rolls is justified if provisions are made to equalize the annuities of those employees who retire in the future. Therefore, we recommend that present annuities be increased by 10 percent and that a 2-percent annuity computation formula, in lieu of the present 1½ and 1¾ percent for the first 10 years, be provided for those retiring hereafter.

We have long believed that provisions should be made for keeping annuities current on an automatic basis. If permanent provisions were enacted, they would relieve the Congress of a recurring problem, provide assurance for annuitants that the value of their annuities would be maintained, and greatly reduce, at the least, the inequities produced by past methods. We think this can best be done by the method proposed in H.R. 3316, which would provide automatic increases based on future salary increases and changes in the annuity computation formula. Such a method would, it seems to us, maintain the annuity on the basis on which it was originally earned.

The federation is opposed to the proposal to transfer service credits between the social security and civil service retirement systems, contained in H.R. 10706 and similar bills, for a number of reasons.

The civil service retirement system is primarily a staff retirement system for Federal employees and we think it should continue as such. To include as creditable service other types of employment, at the option of the employee or survivor, would, in our opinion, place an additional unjustified burden on a system whose finances are already the cause of some concern. Since this must in-

crease the cost of the system, it would surely not be in the best interest of the Government or the majority of Federal employees.

The transfer of credits, as proposed, would create many inequities between Federal employees and their survivors. For example, the employee who left Federal employment could transfer enough credits to provide title to benefits under the Social Security Act. The employee who entered Federal service for the first time could not gain title to civil service retirement benefits by the transfer of social security credits. Further, the widows of two employees with a difference of only 1 month's total Federal service would find a vast difference in their survivor benefits. Assuming each to have two dependent children and their husbands to have had average salaries of \$4,800, the widow whose husband had 5 years' service at death would receive benefits under the Civil Service Retirement Act totaling \$115 monthly. The widow whose husband had only 4 years and 11 months' service would be eligible for benefits under the Social Security Act totaling \$254 monthly, more than double the former, plus a lump-sum death payment of \$255.

We think there is a real need for the extension of survivor protection benefits, under the Civil Service Retirement Act, for those employees leaving Federal service, until they have time to acquire a currently insured status under the Social Security Act. The employee who now leaves Federal service, without title to immediate annuity, loses protection for his survivors no matter what the total of his service. Therefore, in lieu of the proposal for transferring credits, we urge that the Civil Service Retirement Act be amended so as to provide for the extension of eligibility for death benefits under the act for at least 2 years after separation. A suggested amendment for this purpose is attached as appendix A.

We endorse the provision of survivor's benefits, under the Civil Service Retirement Act, without the requirement or election by the retiring employee. However, we think this should be done only if the reduction in the employee's annuity for this purpose is eliminated. If the employee is to lose his present right to determine whether he wishes to provide an annuity for his surviving spouse and to control the cost thereof, then he should not be required to pay a penalty. Therefore, we suggest that, in lieu of the proposal contained in H.R. 10706, the Civil Service Retirement Act be amended so as to provide annuities for the widows and widowers of employees and annuitants without cost and subject to the same conditions for all. A suggested amendment for this purpose is attached as appendix B.

Mr. Chairman, we are grateful for the opportunity afforded us to express our views.

APPENDIX A

TRANSFER OF CREDITS

In lieu of the provisions for transferring credits under the Civil Service Retirement and Social Security Acts, insert the following:

"Section 10 of the Civil Service Retirement Act, as amended, is amended by adding at the end thereof a new subsection:

"(f) For the purposes of this section an employee or Member shall, except for service credit, be considered as subject to this Act for a period of two years following separation from a position subject to such provisions."

APPENDIX B

SURVIVOR'S ANNUITIES

"Section 9(g) of the Civil Service Retirement Act, as amended, is repealed and the remaining subsections of section 9 are redesignated as appropriate.

"(b) Section 10(a)(1) of such Act is amended to read as follows:

"(1) If a Member or employee dies after completing at least 5 years of civilian service, or after having retired under any provision of this Act, and is survived by a wife or husband such wife or husband shall be paid an annuity equal to 50 per centum of an annuity computed as provided in subsections (a), (b), (c), (d), (e), and (f) of Section 9 as may apply with respect to the Member or employee.

"(c) Section 10(c) of the Civil Service Retirement Act, as amended, is repealed and the remaining subsections of section 10 are redesignated as appropriate.

"(d) Section 10(e), as redesignated, is amended by inserting the words 'or employee' immediately after the word 'Member' and the words 'or employee's' after the word 'Member's' as they occur."

INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

Date of retirement	Average salary	Original award	Current annuity	Increase	
				20 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after
GS-4—10 YEARS					
Last day of—					
April 1948.....	\$2,478	\$41	\$63	\$76	\$69
March 1950.....	2,871	45	69	83	76
March 1952.....	3,225	48	68	76	69
March 1955.....	3,584	51	63	76	69
September 1955.....	3,641	56	62	74	68
September 1956.....	3,740	55	61	73	67
October 1956.....	3,745	53	53	64	58
December 1957.....	3,808	54	54	65	59
December 1958.....	3,942	56	56	67	62
December 1959.....	4,072	57	57	68	63
December 1960.....	4,195	58	58	70	64
December 1961.....	4,344	60	60	72	66
June 1962.....	4,419	61	-----	61	74

GS-4—15 YEARS					
Last day of—					
April 1948.....	\$2,478	\$62	\$96	\$115	\$106
March 1950.....	2,871	67	101	121	111
March 1952.....	3,225	72	92	110	101
March 1955.....	3,584	76	94	113	103
September 1955.....	3,641	85	94	113	103
September 1956.....	3,740	83	91	109	100
October 1956.....	3,745	84	84	101	92
December 1957.....	3,808	86	86	103	95
December 1958.....	3,942	88	88	106	97
December 1959.....	4,072	91	91	109	100
December 1960.....	4,195	93	93	112	102
December 1961.....	4,344	96	96	115	106
June 1962.....	4,419	98	-----	98	110

GS-4—20 YEARS					
Last day of—					
April 1948.....	\$2,478	\$83	\$128	\$153	\$141
March 1950.....	2,871	90	130	156	143
March 1952.....	3,225	95	121	145	133
March 1955.....	3,584	101	124	149	136
September 1955.....	3,641	112	123	148	135
September 1956.....	3,740	110	121	145	133
October 1956.....	3,745	116	116	139	128
December 1957.....	3,808	118	118	142	130
December 1958.....	3,942	121	121	145	133
December 1959.....	4,072	125	125	150	138
December 1960.....	4,195	128	128	153	141
December 1961.....	4,344	133	133	159	146
June 1962.....	4,419	135	-----	135	147

GS-4—30 YEARS					
Last day of—					
April 1948.....	\$2,478	\$124	\$182	\$213	\$200
March 1950.....	2,871	134	183	214	201
March 1952.....	3,225	143	179	209	197
March 1955.....	3,584	152	186	217	205
September 1955.....	3,641	169	186	217	205
September 1956.....	3,740	165	182	213	200
October 1956.....	3,745	178	178	208	196
December 1957.....	3,808	181	181	212	199
December 1958.....	3,942	187	187	218	206
December 1959.....	4,072	193	193	225	212
December 1960.....	4,195	198	198	230	218
December 1961.....	4,344	205	205	239	226
June 1962.....	4,419	208	-----	208	221

Date of retirement	Average salary	Original award	Current annuity	Increase	
				20 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after

GS-5-10 YEARS

Last day of—					
April 1948	\$2,968	\$46	\$72	\$86	\$79
March 1950	3,399	49	75	90	83
March 1952	3,750	52	68	82	75
March 1955	4,088	55	68	82	75
September 1955	4,151	61	67	80	74
September 1956	4,261	59	65	78	72
October 1956	4,267	59	59	71	65
December 1957	4,341	60	60	72	66
December 1958	4,497	62	62	74	68
December 1959	4,648	64	64	77	70
December 1960	4,791	65	65	78	72
December 1961	4,962	67	67	80	74
June 1962	5,047	68	-----	68	84

GS-5-15 YEARS

Last day of—					
April 1948	\$2,968	\$68	\$105	\$126	\$116
March 1950	3,399	74	110	132	121
March 1952	3,750	78	100	120	110
March 1955	4,088	82	101	121	111
September 1955	4,151	91	100	120	110
September 1956	4,261	90	99	119	109
October 1956	4,267	95	95	114	105
December 1957	4,341	96	96	115	106
December 1958	4,497	99	99	119	109
December 1959	4,648	102	102	122	112
December 1960	4,791	105	105	126	116
December 1961	4,962	109	109	131	120
June 1962	5,047	110	-----	110	126

GS-5-20 YEARS

Last day of—					
April 1948	\$2,968	\$91	\$141	\$168	\$155
March 1950	3,399	98	140	167	154
March 1952	3,750	104	132	158	145
March 1955	4,088	110	135	161	149
September 1955	4,151	122	134	160	147
September 1956	4,261	120	132	158	145
October 1956	4,267	130	130	156	143
December 1957	4,341	133	133	159	146
December 1958	4,497	137	137	163	151
December 1959	4,648	141	141	168	155
December 1960	4,791	145	145	172	160
December 1961	4,962	150	150	178	165
June 1962	5,047	152	-----	152	168

GS-5-30 YEARS

Last day of—					
April 1948	\$2,968	\$137	\$197	\$229	\$217
March 1950	3,399	147	198	230	218
March 1952	3,750	156	195	227	215
March 1955	4,088	165	201	234	221
September 1955	4,151	181	199	231	219
September 1956	4,261	178	196	228	216
October 1956	4,267	202	202	235	222
December 1957	4,341	205	205	238	226
December 1958	4,497	212	212	246	233
December 1959	4,648	219	219	253	241
December 1960	4,791	225	225	260	248
December 1961	4,962	233	233	269	256
June 1962	5,047	237	-----	237	252

INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

Date of retirement	Average salary	Original award	Current annuity	Increase	
				20 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after
GS-6-10 YEARS					
Last day of—					
April 1948	\$3,302	\$48	\$74	\$89	\$81
March 1950	3,760	52	80	96	88
March 1952	4,119	55	72	86	79
March 1955	4,464	58	72	86	79
September 1955	4,533	65	72	86	79
September 1956	4,654	64	70	84	77
October 1956	4,660	64	64	77	70
December 1956	4,741	64	64	77	70
December 1957	4,910	67	67	80	74
December 1958	5,073	69	69	83	76
December 1959	5,228	71	71	85	78
December 1960	5,414	73	73	88	80
December 1961	5,507	75	-----	75	92
June 1962					

GS-6-15 YEARS					
Last day of—					
April 1948	\$3,302	\$73	\$112	\$134	\$123
March 1950	3,760	78	114	137	125
March 1952	4,119	83	106	127	117
March 1955	4,464	87	107	128	118
September 1955	4,533	97	107	128	118
September 1956	4,654	94	103	124	113
October 1956	4,660	103	103	124	113
December 1956	4,741	104	104	125	114
December 1957	4,910	108	108	130	119
December 1958	5,073	111	111	133	122
December 1959	5,228	114	114	137	125
December 1960	5,414	118	118	142	130
December 1961	5,507	120	-----	120	138
June 1962					

GS-6-20 YEARS					
Last day of—					
April 1948	\$3,302	\$97	\$150	\$178	\$165
March 1950	3,760	104	146	173	161
March 1952	4,119	110	140	167	154
March 1955	4,464	116	143	170	157
September 1955	4,533	129	142	169	156
September 1956	4,654	126	139	165	153
October 1956	4,660	141	141	168	155
December 1956	4,741	144	144	171	158
December 1957	4,910	149	149	176	164
December 1958	5,073	153	153	181	168
December 1959	5,228	158	158	186	174
December 1960	5,414	164	164	193	180
December 1961	5,507	166	-----	166	184
June 1962					

GS-6-30 YEARS					
Last day of—					
April 1948	\$3,302	\$145	\$207	\$240	\$228
March 1950	3,760	157	210	244	231
March 1952	4,119	165	205	238	226
March 1955	4,464	174	212	246	233
September 1955	4,533	192	211	245	232
September 1956	4,654	189	208	241	229
October 1956	4,660	219	219	253	241
December 1956	4,741	223	223	258	245
December 1957	4,910	230	230	266	253
December 1958	5,073	238	238	274	262
December 1959	5,228	245	245	282	270
December 1960	5,414	254	254	292	279
December 1961	5,507	258	-----	258	275
June 1962					

Date of retirement	Average salary	Original award	Current annuity	Increase	
				20 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after

GS-7-10 YEARS

Last day of—					
April 1948.....	\$3,636	\$51	\$79	\$95	\$87
March 1950.....	4,124	55	86	103	95
March 1952.....	4,500	58	75	90	83
March 1955.....	4,866	61	75	90	83
September 1955.....	4,942	68	75	90	83
September 1956.....	5,075	67	74	89	81
October 1956.....	5,082	69	69	83	76
December 1957.....	5,170	70	70	84	77
December 1958.....	5,355	73	73	88	80
December 1959.....	5,534	75	75	90	83
December 1960.....	5,703	77	77	92	85
December 1961.....	5,905	80	80	96	88
June 1962.....	6,006	81	-----	81	100

GS-7-15 YEARS

Last day of—					
April 1948.....	\$3,636	\$77	\$119	\$143	\$131
March 1950.....	4,124	83	121	145	133
March 1952.....	4,500	88	112	134	123
March 1955.....	4,866	92	113	136	124
September 1955.....	4,942	102	112	134	123
September 1956.....	5,075	101	111	133	122
October 1956.....	5,082	111	111	133	122
December 1957.....	5,170	113	113	136	124
December 1958.....	5,355	117	117	140	129
December 1959.....	5,534	121	121	145	133
December 1960.....	5,703	125	125	150	138
December 1961.....	5,905	129	129	154	142
June 1962.....	6,006	131	-----	131	150

GS-7-20 YEARS

Last day of—					
April 1948.....	\$3,636	\$102	\$155	\$183	\$171
March 1950.....	4,124	110	154	182	169
March 1952.....	4,500	117	147	174	162
March 1955.....	4,866	123	152	180	167
September 1955.....	4,942	136	150	178	165
September 1956.....	5,075	135	149	176	164
October 1956.....	5,082	154	154	182	169
December 1957.....	5,170	156	156	184	172
December 1958.....	5,355	162	162	191	178
December 1959.....	5,534	167	167	196	184
December 1960.....	5,703	172	172	202	189
December 1961.....	5,905	178	178	208	196
June 1962.....	6,006	181	-----	181	200

GS-7-30 YEARS

Last day of—					
April 1948.....	\$3,636	\$153	\$216	\$250	\$238
March 1950.....	4,124	166	220	255	242
March 1952.....	4,500	175	217	251	239
March 1955.....	4,866	184	224	259	246
September 1955.....	4,942	203	223	258	245
September 1956.....	5,075	200	220	255	242
October 1956.....	5,082	238	238	274	262
December 1957.....	5,170	242	242	279	266
December 1958.....	5,355	251	251	289	276
December 1959.....	5,534	259	259	297	285
December 1960.....	5,703	267	267	306	294
December 1961.....	5,905	277	277	317	305
June 1962.....	6,006	282	-----	282	300

INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

Date of retirement	Average salary	Original award	Current annuity	Increase	
				20 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after
GS-8—10 YEARS					
Last day of—					
April 1948.....	\$3,970	\$54	\$84	\$101	\$92
March 1950.....	4,487	58	90	108	99
March 1952.....	4,882	62	80	96	88
March 1955.....	5,272	66	81	97	89
September 1955.....	5,355	74	81	97	89
September 1956.....	5,500	73	80	96	88
October 1956.....	5,507	75	75	90	83
December 1957.....	5,602	76	76	91	84
December 1958.....	5,802	79	79	95	87
December 1959.....	5,996	81	81	97	89
December 1960.....	6,179	84	84	101	92
December 1961.....	6,398	87	87	104	96
June 1962.....	6,507	88	-----	88	108
GS-8—15 YEARS					
Last day of—					
April 1948.....	\$3,970	\$81	\$124	\$149	\$136
March 1950.....	4,487	88	127	152	140
March 1952.....	4,882	92	117	140	129
March 1955.....	5,272	99	122	146	134
September 1955.....	5,355	110	121	145	133
September 1956.....	5,500	109	120	144	132
October 1956.....	5,507	120	120	144	132
December 1957.....	5,602	123	123	148	135
December 1958.....	5,802	127	127	152	140
December 1959.....	5,996	131	131	157	144
December 1960.....	6,179	135	135	161	149
December 1961.....	6,398	140	140	167	154
June 1962.....	6,507	142	-----	142	163
GS-8—20 YEARS					
Last day of—					
April 1948.....	\$3,970	\$108	\$163	\$192	\$179
March 1950.....	4,487	117	163	192	179
March 1952.....	4,882	123	155	183	171
March 1955.....	5,272	132	163	192	179
September 1955.....	5,355	147	162	191	178
September 1956.....	5,500	146	161	190	177
October 1956.....	5,507	166	166	195	183
December 1957.....	5,602	169	169	198	186
December 1958.....	5,802	175	175	205	193
December 1959.....	5,996	181	181	212	199
December 1960.....	6,179	187	187	218	206
December 1961.....	6,398	193	193	225	212
June 1962.....	6,507	197	-----	197	217
GS-8—30 YEARS					
Last day of—					
April 1948.....	\$3,970	\$162	\$219	\$253	\$241
March 1950.....	4,487	175	219	253	241
March 1952.....	4,882	185	226	261	249
March 1955.....	5,272	198	241	278	265
September 1955.....	5,355	219	241	278	265
September 1956.....	5,500	217	239	275	263
October 1956.....	5,507	258	258	296	284
December 1957.....	5,602	263	263	302	289
December 1958.....	5,802	272	272	312	299
December 1959.....	5,996	281	281	322	309
December 1960.....	6,179	290	290	332	319
December 1961.....	6,398	300	300	343	330
June 1962.....	6,507	305	-----	305	325

Date of retirement	Average salary	Original award	Current annuity	Increase	
				10 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1932, 2 percent computation after

GS-9-10 YEARS

Last day of—					
April 1948.....	\$4,304	\$57	\$88	\$106	\$97
March 1950.....	4,852	61	94	113	103
March 1952.....	5,276	66	85	102	94
March 1955.....	5,702	71	88	106	97
September 1955.....	5,792	79	87	104	96
September 1956.....	5,949	78	86	103	95
October 1956.....	5,957	81	81	97	89
December 1957.....	6,058	82	82	98	90
December 1958.....	6,274	85	85	102	94
December 1959.....	6,483	88	88	106	97
December 1960.....	6,678	90	90	108	99
December 1961.....	6,913	94	94	113	103
June 1962.....	7,013	95	-----	95	117

GS-9-15 YEARS

Last day of—					
April 1948.....	\$4,304	\$85	\$131	\$157	\$144
March 1950.....	4,852	92	132	158	145
March 1952.....	5,276	99	125	150	138
March 1955.....	5,702	107	132	158	145
September 1955.....	5,792	120	132	158	145
September 1956.....	5,949	119	131	157	144
October 1956.....	5,957	130	130	156	143
December 1957.....	6,058	133	133	159	146
December 1958.....	6,274	137	137	163	151
December 1959.....	6,483	142	142	169	156
December 1960.....	6,678	146	146	173	161
December 1961.....	6,913	151	151	179	166
June 1962.....	7,031	154	-----	154	176

GS-9-20 YEARS

Last day of—					
April 1948.....	\$4,304	\$113	\$168	\$197	\$185
March 1950.....	4,852	123	169	198	186
March 1952.....	5,276	132	166	195	183
March 1955.....	5,702	143	175	205	193
September 1955.....	5,792	159	175	205	193
September 1956.....	5,949	157	173	203	190
October 1956.....	5,957	180	180	211	198
December 1957.....	6,058	183	183	214	201
December 1958.....	6,274	190	190	222	209
December 1959.....	6,483	196	196	228	216
December 1960.....	6,678	202	202	235	222
December 1961.....	6,913	209	209	242	230
June 1962.....	7,031	212	-----	212	234

GS-9-30 YEARS

Last day of—					
April 1948.....	\$4,304	\$170	\$219	\$253	\$241
March 1950.....	4,852	184	224	259	246
March 1952.....	5,276	198	241	278	265
March 1955.....	5,702	214	260	299	286
September 1955.....	5,792	236	260	299	286
September 1956.....	5,949	234	257	295	283
October 1956.....	5,957	279	279	319	307
December 1957.....	6,058	284	284	325	312
December 1958.....	6,274	294	294	336	323
December 1959.....	6,483	304	304	347	334
December 1960.....	6,678	313	313	357	344
December 1961.....	6,913	324	324	369	356
June 1962.....	7,031	330	-----	330	352

INCREASING CIVIL SERVICE RETIREMENT ANNUITIES

Date of retirement	Average salary	Original award	Current annuity	Increase	
				10 percent— \$1,500 plus 10 percent of balance	10 percent total before July 1, 1962, 2 percent computation after
GS-13—10 YEARS					
Last day of—					
April 1948.....	\$7, 143	\$89	\$136	\$162	\$150
March 1950.....	7, 912	99	141	168	155
March 1952.....	8, 523	107	135	163	149
March 1955.....	9, 182	115	142	169	156
September 1955.....	9, 328	129	142	169	156
September 1956.....	9, 583	127	140	167	154
October 1956.....	9, 595	130	130	156	143
December 1957.....	9, 759	132	132	158	145
December 1958.....	10, 105	137	137	163	151
December 1959.....	10, 441	141	141	168	155
December 1960.....	10, 754	146	146	173	161
December 1961.....	11, 128	151	151	179	166
June 1962.....	11, 315	153	-----	153	189
GS-13—15 YEARS					
Last day of—					
April 1948.....	\$7, 143	\$134	\$194	\$226	\$213
March 1950.....	7, 912	148	199	231	219
March 1952.....	8, 523	160	199	231	219
March 1955.....	9, 182	172	210	244	231
September 1955.....	9, 328	191	210	244	231
September 1956.....	9, 583	190	209	242	230
October 1956.....	9, 595	210	210	244	231
December 1957.....	9, 759	213	213	247	234
December 1958.....	10, 105	221	221	256	243
December 1959.....	10, 441	228	228	263	251
December 1960.....	10, 754	235	235	271	259
December 1961.....	11, 128	243	243	280	267
June 1962.....	11, 315	248	-----	248	283
GS-13—20 YEARS					
Last day of—					
April 1948.....	\$7, 143	\$179	\$219	\$253	\$241
March 1950.....	7, 912	198	241	278	265
March 1952.....	8, 523	213	259	297	285
March 1955.....	9, 182	230	278	318	306
September 1955.....	9, 328	253	278	318	306
September 1956.....	9, 583	252	277	317	305
October 1956.....	9, 595	290	290	332	319
December 1957.....	9, 759	295	295	337	325
December 1958.....	10, 105	305	305	348	336
December 1959.....	10, 441	315	315	359	347
December 1960.....	10, 754	325	325	370	358
December 1961.....	11, 128	336	336	382	370
June 1962.....	11, 315	342	-----	342	377
GS-13—30 YEARS					
Last day of—					
April 1948.....	\$7, 143	\$268	\$323	\$368	\$355
March 1950.....	7, 912	297	359	407	395
March 1952.....	8, 523	320	376	426	414
March 1955.....	9, 182	344	378	428	416
September 1955.....	9, 328	350	385	436	424
September 1956.....	9, 583	359	395	447	435
October 1956.....	9, 595	450	450	508	495
December 1957.....	9, 759	457	457	515	503
December 1958.....	10, 105	474	474	534	521
December 1959.....	10, 441	489	489	550	538
December 1960.....	10, 754	504	504	567	554
December 1961.....	11, 128	522	522	587	574
June 1962.....	11, 315	530	-----	530	566

Mr. DORSON. If you will examine the tables attached to my statement, they will illustrate more adequately than words what has happened to annuities under past adjustment methods and what will happen under present proposals if enacted. Mr. Broyhill's questions to Mr. Simcox I think will be illustrated, at least to some extent, by these tables.

The salary assumptions used were 5 years at the top step in each grade at time of retirement, shown on the left; the column headed "Original Award" is the annuity received at the time of retirement; the column headed "Current Annuity" is the annuity as increased by prior acts of Congress; the left column under "Increase" shows how these annuities would be increased by H.R. 3316 and similar bills if effective July 1, 1962; and the last column on the right shows the effect of a 10-percent annuity increase for those retired prior to July 1, 1962, with a flat 2-percent annuity computation formula, in lieu of the present three-step formula, for those retiring thereafter. The two center columns also illustrate the effect on annuities before and after the cutoff date of October 1, 1956, contained in the 1958 increase act, Public Law 85-465.

We do think it both practical and desirable to erase the ceilings on annuity increases imposed by Public Laws 555, 82d Congress, and 369, 84th Congress, as proposed by sections 1 and 2 of H.R. 3314. Such a step would go far toward erasing present inequities, and we urge that you give it serious consideration.

Our tables indicate, we think, that an annuity increase of 10 percent for those now on the annuity rolls is justified if provisions are made to equalize the annuities of those employees who retire in the future. Therefore, we recommend that present annuities be increased by 10 percent and that a 2-percent annuity computation formula, in lieu of the present 1½ percent and 1¾ percent for the first 10 years, be provided for those retiring hereafter.

We have long believed that provisions should be made for keeping annuities current on an automatic basis. If permanent provisions were enacted, they would relieve the Congress of a recurring problem, provide assurance for annuitants that the value of their annuities would be maintained, and greatly reduce, at the least, the inequities produced by past methods. We think this can best be done by the method proposed in H.R. 3316.

The federation is opposed to the proposal to transfer service credits between the social security and civil service retirement systems, contained in H.R. 10706 and similar bills, for a number of reasons.

The civil service retirement system is primarily a staff retirement system for Federal employees and we think it should continue as such.

The transfer of credits, as proposed, would create many inequities between Federal employees and their survivors.

We think there is a real need for the extension of survivor protection benefits, under the Civil Service Retirement Act, for those employees leaving Federal service, until they have time to acquire a currently insured status under the Social Security Act. The employee who now leaves Federal service, without title to immediate annuity, loses protection for his survivors no matter what the total of his service. Therefore, in lieu of the proposal for transferring credits,

we urge that the Civil Service Retirement Act be amended so as to provide for the extension of eligibility for death benefits under the act for at least 2 years after separation. A suggested amendment for this purpose is attached as appendix A.

Mr. Chairman, we are grateful for the opportunity afforded us to express our views.

Mr. OLSEN. Thank you very much, Mr. Dorson.

Any questions by the members of the committee?

Mr. WALLHAUSER. No. It is a good statement, Mr. Chairman, and very well prepared.

Mr. DORSON. Thank you, Mr. Wallhauser.

Mr. OLSEN. Thank you, Mr. Dorson.

The next witness is Mr. John McCart, legislative representative, American Federation of Government Employees. Mr. McCart, will you proceed, please.

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

Mr. McCART. Mr. Chairman, we have supplied the subcommittee with a copy of our statement which we request to have included in the record of the hearing. And we want to thank you and the other members of the committee, the other Members of the House, for sponsoring legislation in behalf of retired Federal employees and their surviving widows and children.

We urge the committee to take prompt action, as has been indicated here earlier today, on the annuity increases and also the bill that has been introduced by you and your colleagues, and other necessary improvements in the Civil Service Retirement Act.

We are happy to leave our case in your hands, Mr. Chairman.

Mr. OLSEN. Thank you, Mr. McCart.

Any questions of Mr. McCart?

Thank you very much.

(The full text of the statement of Mr. McCart follows:)

STATEMENT ON BILLS TO INCREASE ANNUITIES AND PROVIDE FOR INTERCHANGE OF RETIREMENT AND SOCIAL SECURITY SYSTEM SERVICE CREDITS SUBMITTED BY THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

The bills which are the subject of this hearing and which have the purpose of increasing retirement annuities are in our opinion essential legislation which should be enacted at an early date. Since these bills are of two types, dealing with the problem in different ways, we will direct our comment to the two groups separately.

The first group of bills provides for an increase of annuities for those already retired and contains a formula for future increases, both of which are desirable. We commend the sponsors of these bills: Mr. Morrison, H.R. 3316; Mr. Fino, H.R. 3754; Mr. Lane, H.R. 3987; Mr. Rogers of California, H.R. 4266; Mr. Dominick, H.R. 4899; Mr. Edmondson, H.R. 9689; and Mr. Fulton, H.R. 9819. Mr. Morrison's second bill, H.R. 6855, differs to some extent from H.R. 3316, and this difference will be the subject of comment.

The Olsen bill, H.R. 10706, and its companions, H.R. 11577 by Mr. Rhodes of Pennsylvania, and H.R. 11585 by Mr. Anfuso, also would increase annuities but include provision for linkage of the Federal retirement system with the social security system, a relationship which is now lacking but which should receive most serious consideration by this committee.

The American Federation of Government Employees endorses all of these bills in principle. We believe very firmly that an increase of the annuities of many

retired Federal employees is acutely needed. In so many instances the annuities are pitifully small, and that is not because of relatively short service but rather that they are paid in accordance with earlier provisions of law before later liberalization.

Bills in the first group which are identical with H.R. 3316 include a graduated formula which would increase that part of an annuity payment not in excess of \$1,500 by 20 percent and the remainder by 10 percent. We would not, however, oppose the formula in the second Morrison bill, H.R. 6855, which provides a 20 percent raise for that portion below \$2,000, and 10 percent for the remainder, if any.

The need for increasing annuities is evidenced by the fact that of the 396,484 employee annuitants on the civil service retirement rolls at the end of fiscal year 1961, 32 percent, or 125,706, were receiving annuities amounting to less than \$100 a month. Fifty percent, or 199,891, were receiving less than \$150 a month.

To view it from another standpoint, 96 percent of the number of annuitants on the roll as of June 30, 1960, who were retired on account of age and voluntary and involuntary separations, were age 60 and above. Eighty percent were age 65 and above.

Section 2 of these bills (sec. 3 in H.R. 6855) would increase annuities already in effect whenever there is a general adjustment of salaries or whenever the formula for computing annuities of retiring employees generally is liberalized. This is a sound provision which would place the retirement system on a more nearly equitable basis than it is at present. There is ample precedent in that military pensions are presently tied to active-duty pay, so that both advance together.

The Olsen, Rhodes, and Anfuso bills also provide for increasing annuities, but would do it in a different manner. They would gear the next retirement annuity increase to the first general adjustment of the rates of compensation of classified active-duty employees. They would also maintain annuities accruing in different periods of time on a relatively proportionate basis. The intent is to eliminate the advantage of the recent retiree over the employee who retired 10 or 20 years earlier. By reducing the percentage of increase during a 5-year period, the method proposed would equalize the benefit of a specific classified salary increase during that period.

These three bills also propose writing into the retirement law a type of escalator provision for future increases of annuities. In a real sense, it would provide for a method of annual review of current annuities to determine the need for adjustment in the light of advancement of consumer prices.

It is our belief that a more satisfactory formula would be to relate the amount of annuity to the needs of annuitants, as indicated by the cost of a budget for a retired elderly couple, such a budget to be maintained by the Bureau of Labor Statistics. The BLS prepared such a budget estimate as of August 1959 as a revision of an earlier appraisal computed by the Bureau for October 1950. We prefer future increases of annuities to be based on periodic revisions of such a budget by the BLS to an escalator provision relating increases directly to the movement of consumer prices.

This method would offer a more realistic and appropriate basis for these periodic reexaminations of annuities which are so important. To raise annuities in direct proportion to the percent of change of classified salaries is to apply the same criterion to different sets of circumstances. In applying it to active-duty salaries, it is valid to use the price index as a standard in that it reflects the underlying factors in economic change as they affect the employed persons, such as productivity, comparability with pay rates outside Government service, the monetary situation, and the like.

Annuities should be related to circumstances which are more appropriately connected with the retired person's cost of living. It should take into account the fact that, with the exception of disability retirement, the retiree is usually a person in an older age group. As a result, certain items of cost increase, others decrease.

Comparing annuities with classified salary increases, it is apparent that retirees have not fared so well. Taking into account only the annuity and salary increase beginning with 1955, salaries have advanced an average of 27.4 percent. The overall average of annuity raises provided in 1955 (Public Law 84-369) was 11 percent, and the increase to annuitants retired before October 1, 1956 (Public Law 85-465), was 10 percent. Thus the cumulative annuity increase was 22.1 percent. It should be emphasized that there has been no annuity increase for

persons who retired after December 31, 1957. Meanwhile the Consumer Price Index has advanced more than 4 percent.

As the proposed section 18(a) is presently written in the bill, retired employees would not benefit from a salary act that was passed before the retirement bill in the present session of Congress. An appropriate change should be made in the bill under consideration to prevent a situation which apparently is not intended.

These bills would make it possible for persons whose employment has been partly under the Retirement Act and partly under the Social Security System to elect to have their service combined under one or the other system. This would be accomplished by allowing credit to the civil service employee for 3 additional months of service for each quarter of coverage under social security. The credit would be allowed on or after attainment of age 62 or, for the employee retiring before reaching that age, by recomputing the annuity upon the attainment of age 62, so as to include credit for service under the Social Security Act.

The formula for transferring these credits would require application by the employee and depositing in the retirement fund the equivalent of deductions which would have been made from his civil service salary. The procedure is reversed for transfer of Federal service credit for credit under the Social Security Act.

This interchange of service credit seems to be an important improvement in both systems. At present, a person may work both in private employment and in the Federal civil service without qualifying for benefits under either system. It is also not uncommon for a person to qualify under the one system but have insufficient coverage for benefits under the other.

Section 2 of these three bills contains a desirable feature by removing the option in the present law which permits an employee to provide benefits for a surviving widow or dependent widower or to elect to take the full annuity and provide no benefits for a surviving spouse. These bills would make automatic the provision of benefits for the surviving widow or dependent widower, thereby changing the presently unfair situation. Some widows are left destitute without knowing until their husband's death that no survivorship benefit had been provided.

We are of the belief that it should be mandatory for a husband to elect a survivorship annuity for his surviving spouse, with the opportunity to exercise an option not to make such provision only permissible if the knowledge of such action had been communicated to his wife. Such action would constitute a waiver knowledge of which would be required to be communicated to the wife.

We recommend, Mr. Chairman, the enactment of legislation to provide an immediate increase of annuities as provided in H.R. 3316 and the bills similar to it, and provision for future increases on an annual basis similar to what we have proposed for H.R. 10706 and like bills. We also approve provision for interchange of service credits and for ending the optional survivorship as provided in section 2.

Thank you, Mr. Chairman, for the opportunity to express our views.

Mr. OLSEN. The next witness is Mr. Roy North legislative representative, National Association of Postmasters.

STATEMENT OF ROY NORTH, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF POSTMASTERS

Mr. NORTH. Mr. Chairman and members of the subcommittee, my name is Roy M. North, and I am legislative representative of the National Association of Postmasters of the United States.

I am representing a membership of nearly 33,000 active postmasters and approximately 1,000 associated members who have retired as postmasters.

It is a pleasure for us to express our appreciation to you, Mr. Chairman, and members of your committee for your consideration in allowing us to testify on this most important legislation.

Bills introduced by you, Mr. Chairman, provide for needed increases in annuities to those who dedicated their careers to the Gov-

ernment service, and now have retired after many years of postal service. Our other good friends, Congressmen Olsen, Broyhill, and Daniels, your colleagues on the House Post Office and Civil Service Committee, have also introduced measures of particular benefit to those now on the retirement rolls.

H.R. 3316 and kindred bills now before you recognize the need for substantial increase now in annuities. H.R. 10706, authored by Congressman Olsen, provides that annuities will be equated in amounts with any increases in pay to active employees; also provision is made for interchange under civil service retirement and social security laws when credit is insufficient for either of these benefits alone.

These bills have many desirable features and we endorse the principles set forth that will provide expansion of annuity benefits in the future and a needed increase to retirees now on the rolls.

It is most important for present annuitants to receive substantial increases in their annuities. Just a glance at the retirement report of the Civil Service Commission is convincing of the pitifully small monthly annuities of retired Government personnel. As of June 30, 1961, there were 400,000 employee annuitants on the retirement rolls. Nearly 200,000 of that number are receiving less than \$150 per month, and 75,000 are receiving less than \$100 monthly. Survivor annuitants, numbering 170,000, receive an average of approximately \$50 per month.

Surely, the need for immediate increases is obvious. Some dollar increases were given to annuitants during the period from 1948 to 1958 covering service ended before October 1, 1956.

It is recognized that there is a definite relationship between existing annuities and increases in pay to active employees.

In 1958, we had a 10-percent increase in pay to active employees and a 7½-percent increase in 1960. However, there was no increase in annuities.

We contend, therefore, as a "catchup" operation, substantial increases should be forthcoming now at the time of establishing the principle of annuity increases to be equated with any future general increases in pay to active employees.

Standards of living as well as cost of living are equivalent factors in the Government's obligation to retired personnel.

We subscribe to the stipulation of the Olsen bill that 1 percent should be the guiding point on cost-of-living increases. Also, decent modes of living for our retired people should be maintained by equation with any increases in pay to active personnel.

Senator Clark's bill on this subject, S. 2937, is now on the Senate Calendar. The 5 percent provided therein for present annuitants is entirely too small and we do not agree with the 3-percent figure in cost-of-living indexes before increase in annuities. We do, however, support other features of that bill, increasing from \$2,400 to \$3,600 the base amount for 2½-percent deduction for survivor benefits and the 55-percent benefit for widows instead of the 50 percent under present law.

We strongly recommend, Mr. Chairman and members of the committee, that an equitable increase in annuities be provided now, with increases in the future equated with reasonable cost-of-living indexes and increase in compensation to active employees.

Again, Mr. Chairman and members of the committee, our thanks for permitting us to testify today on legislation which is of major importance both to present annuitants and active employees who will retire in the future.

Mr. OLSEN. The next witness is Mr. Ross Messer, legislative representative, National Association of Post Office & General Services Maintenance Employees.

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

Mr. MESSER. Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to appear before you today. My name is Ross A. Messer. I am legislative representative of the National Association of Post Office & General Services Maintenance Employees, representing the maintenance employees of the postal field service and General Services Administration.

I would like to take this opportunity to thank the chairman of the committee for the introduction of H.R. 3316 and Congressman Olsen for the introduction of H.R. 10706, as well as express our appreciation to the other Members of Congress who have introduced related bills.

I would like to place this association on record as favoring the general provisions of both of the above bills. The retirees and survivors of retirees and employees are in need of an adequate adjustment in their retirement annuities at the earliest possible date. The increase in annuities has not kept pace with the increase in the cost of living and the increases granted Federal employees during the past 10 or 12 years. It is very difficult for most of the retirees to meet the financial needs of their families on the annuities they are receiving today.

It is hoped this situation can be remedied at the earliest possible date.

It is hoped that the committee will find a solution to the problem of adjusting annuities from time to time as the cost of living increases. It is believed that the solution approved by the Senate Post Office and Civil Service Committee in reporting S. 2937 would provide increases for retirees without the necessity of legislation approved by Congress for each increase.

This association also approves the provisions requiring the payment of an annuity to a survivor unless the retiring employee specifically designates in writing that he does not desire to select survivorship coverage for his dependents.

It is hoped this committee will act favorably on these proposals and report them at the earliest possible date, so that they may be enacted into law at this session of Congress.

I wish to again thank you for this opportunity to appear before you today.

Mr. OLSEN. The next witness is Mr. George Warfel, president, National Association of Special Delivery Messengers.

STATEMENT OF GEORGE WARFEL, PRESIDENT, NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS

Mr. WARFEL. Mr. Chairman and members of the subcommittee, 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. Our national office is at 112 C Street NW., Washington, D.C. We are affiliated with the AFL-CIO and with the Government Employees' Council.

First, we want to thank Mr. Morrison and Mr. Olsen, as well as the many other Members of Congress who have introduced similar bills. We wholeheartedly endorse adjustment of annuities of those employees who have retired, by a percentage equal to the coverage increase in pay to postal and Federal employees under the U.S. civil service retirement system. This appears to be only fair and just, for they have now reached a point wherein their annuities are entirely inadequate to provide the minimum income essential to meet bare existence. Under these conditions the obvious intent of the Retirement Act is not carried out. We trust that the committee will take action which will alleviate this condition insofar as it is within their power to do so.

We also endorse the principle of the transfer of social security credits, or those of the Civil Service Retirement Act, in cases where the employee has partial credit under both plans. In many instances this would provide an equitable annuity when otherwise they would be left without fair treatment.

We favor also the elimination of the reduction of annuities in order to secure survivorship coverage.

Thank you.

Mr. OLSEN. The next witness is Mr. John O'Connor, legislative representative, United Federation of Postal Clerks.

**STATEMENT OF JOHN O'CONNOR, LEGISLATIVE REPRESENTATIVE,
UNITED FEDERATION OF POSTAL CLERKS**

Mr. O'CONNOR. Mr. Chairman and members of the subcommittee, for the purpose of identification I am John F. O'Connor, legislative director of the United Federation of Postal Clerks, with offices at 817 14th Street NW., Washington, D.C. The name of our organization is new and came about as the result of a number of mergers of postal clerk organizations during the past year. At this time we represent approximately 145,000 post office clerks throughout the country.

We first desire to express our appreciation to the chairman of the subcommittee, Congressman Morrison, for his introduction of H.R. 3316 and H.R. 6855, as well as to other members of the House committee, Congressmen Addabbo, Broyhill, and Dulski, and to other Members of the House for introduction of related bills, all providing for the adjustment of inequities presently existing as far as retirement for postal and Federal employees is concerned. We also desire to express our appreciation to Congressman Olsen, of Montana, and Congressman Dulski, of New York, for the introduction of H.R. 10706 and H.R. 11806, and to other Members of the House for the introduction of companion bills, all of which are designed to set up a new formula and correct inequities presently existing. These bills are all extremely meritorious, and we are very pleased that they are being considered by the committee at this time. Our thanks are extended to the subcommittee for scheduling hearings on this legislation.

H.R. 10706, H.R. 11806, and companion bills all provide for new formulas in setting up annuities for those who are presently in the

postal and Federal service and for those who may retire in the future, as well as those already retired. This, we feel, is something long overdue where retired employees are concerned, and such a formula should have been set up many years ago.

Postal and Federal employees during their years of service with the Federal Government do not have a sufficient wage to give them opportunity for amassing any savings. Altogether too frequently their salaries are below the rising standard of living costs and behind salaries paid in private industry. This is even more true, insofar as annuitants under the Retirement Act are concerned. Any increases in annuity they have received over the years have been a sort of hit-and-miss deal, and we feel that in order to bring them somewhat up-to-date the provisions of the Morrison bill, H.R. 6855, should be utilized for an immediate increase for those presently retired. This bill provides that upon enactment an annuitant who is receiving, or is entitled to receive, an annuity from the civil service retirement and disability fund shall have his or her annuity increased by 20 percent of the amount of such annuity not in excess of \$2,000, and by 10 percent the remainder of such annuity.

We believe that the provisions of H.R. 10706 can provide a vehicle for a general formula for future annuities for retired employees, but that the provisions of H.R. 10706 should be amended to provide for an immediate increase as shown in the Morrison bill, H.R. 6855. This immediate increase is necessary in our opinion, inasmuch as the report of the U.S. Civil Service Commission for 1961, or House Document 263, indicates that over 10 percent of the annuitants are receiving under \$50 per month. Over 30 percent are receiving under \$100 per month; over 50 percent are receiving less than \$150 per month; and in excess of 70 percent are receiving less than \$200 per month. These figures indicate that the annuitants are existing on a substandard income for these days and times. In most instances these annuitants have no income other than their annuity under the Retirement Act of the Federal Government.

In addition to the above information concerning those presently retired, I am attaching a copy of a report of data gathered by the Bureau of Labor Statistics of the U.S. Department of Labor in late 1959, showing the annual cost of a retired couple's budget by major components in 20 large cities and suburbs. This budget compiled by an agency of the Government is based on the very minimum necessities of life. It runs from \$2,641 a year in Houston, Tex., to \$3,366 a year in Chicago. It is noted that the figures for Washington, D.C., and cities in California where the largest concentration of retired Federal employees are located—that the figures for this budget are in excess of \$3,000 per year. Figures for 1962 would be larger by at least 3 percent.

We are very much in favor of the proposal under the Olsen bill, H.R. 10706, which provides that effective on the first day of the first calendar month which begins at least 1 year after the effective date of the legislation, and annually thereafter, that the annuity of each annuitant, including a survivor annuitant, shall be increased by a percentage equal to the percentage of increase, if any, in the cost of living as determined by the Commission on the basis of the Bureau of Labor Statistics consumer price index for a moderate income family in large cities. We are not in agreement with the proposal of the

U.S. Civil Service Commission that this percentage should not be applied until such time as it has reached 5 percent. This would work a hardship on retired persons. At some time the increase in the cost of living could go up to 4½ percent and remain there for a year or two. This certainly would create a tremendous hardship on retired persons. 4½ percent of \$1,000 is \$45, and \$90 for \$2,000. But \$45 or \$90, as the case may be, is a lot of money for an individual having an income of \$1,000 or \$2,000 per year. We believe this figure should be set at something more reasonable than 5 percent.

We are still opposed, as an organization, to any attempt to coordinate or combine the civil service retirement with social security. However, we believe that the provisions of H.R. 10706, whereby it is possible for an employee who may be employed for a period of time in either the Federal Government or private industry to secure full credit for his or her retirement by a transfer of funds from either the U.S. civil service retirement fund or the social security fund, is a proper move. We do not feel that this is in any way intended as a combination of the U.S. civil service retirement with social security.

We favor the amendments provided in H.R. 10706 for designation of survivor annuitant. We have known of many cases where employees have not designated a dependent wife, and following the death of the annuitant the wife becomes an object of charity. Such conditions should not be continued even though the percentage now affected may be very small. H.R. 10706, in its section 2(a) provides that section 9(g) of the Civil Service Retirement Act be amended to provide that a wife or husband shall automatically receive an annuity at the time of the death of the annuitant. We believe this is a good amendment to the law, but there are sometimes special circumstances which would cause a retiring employee not to desire to automatically provide an annuity for a wife or husband, as the case may be. We believe that this section might be amended to provide that such provision be automatic unless the retiring employee specifically requests that it not be done.

We would further suggest an amendment which would provide that any increases received by an annuitant under this act would not be considered as income in connection with a pension that said annuitant might be receiving for military service. We feel that a pension received for military service has been earned by said pensioner and that he or she should not be penalized in this instance.

It is our understanding that the Senate Post Office and Civil Service Committee has reported S. 2937, providing a 5 percent increase for those annuitants now on the rolls. We believe that 5 percent is a meager amount that will not be helpful to the vast majority of those presently retired. It just about matches the increases in the cost of living since the last change was made in the retirement law. Actually, retired Federal employees have been a long way behind the parade for many years, and we believe that any increase granted them at this time should measure up to the provisions of H.R. 3316 or H.R. 6855.

In closing, may we urge that legislation be reported and passed that will be helpful to hard-pressed and needy retirees. It is imperative that this be done at this session of Congress.

May we express our appreciation for the opportunity of appearing before the committee and giving our views on this most important legislation.

TABLE 2.—Annual costs of the retired couple's budget by major components, 20 large cities and suburbs, autumn 1959

Item	Atlanta	Balti- more	Boston	Chicago	Cincin- nati	Cleve- land	Detroit
Food and beverages ¹	\$768	\$781	\$953	\$889	\$879	\$860	\$899
Food at home ²	714	734	900	838	824	806	847
Low-cost plan.....	600	610	779	743	728	715	750
Moderate-cost plan.....	827	857	1,021	933	921	897	944
Food away from home.....	29	28	32	33	36	34	32
Housing.....	1,010	1,067	1,298	1,331	1,062	1,265	1,122
Rent, heat, and utilities ³	778	802	1,029	1,067	821	1,015	858
House furnishings.....	98	103	97	100	98	99	106
Household operation and communica- tions.....	134	162	172	164	143	151	158
Clothing.....	208	216	213	232	215	233	226
Husband.....	80	79	83	84	82	87	84
Wife.....	103	109	100	114	102	113	108
Clothing materials and services.....	25	28	30	34	31	33	34
Medical care.....	241	247	316	317	240	327	298
Transportation ⁴	153	180	144	195	168	170	170
Automobile owners.....	516	584	656	653	523	566	536
Nonowners of automobiles.....	51	66	61	66	67	59	66
Other goods and services.....	340	349	380	402	361	389	381
Reading and recreation.....	101	102	111	124	112	122	119
Personal care.....	75	75	73	83	75	78	79
Tobacco.....	35	37	38	35	35	35	36
Gifts, contributions, etc.....	129	135	158	160	139	154	147
Total cost of goods and services.....	2,720	2,840	3,304	3,366	2,925	3,244	3,096
Estimated annual cost comparable in content with original budget ⁵	2,467	2,571	3,067	3,112	2,698	3,011	2,865

Item	Hous- ton	Kansas City	Los Angeles	Minne- apolis	New York	Phila- delphia	Pitts- burgh
Food and beverages ¹	\$758	\$841	\$894	\$846	\$945	\$939	\$956
Food at home ²	711	797	840	795	892	889	899
Low-cost plan.....	595	706	731	701	776	769	780
Moderate-cost plan.....	827	889	949	889	1,009	1,008	1,018
Food away from home.....	28	27	32	31	32	30	39
Housing.....	928	1,183	1,105	1,216	1,124	1,003	1,116
Rent, heat, and utilities ³	694	942	862	962	849	754	863
House furnishings.....	99	101	106	97	99	98	104
Household operations and communica- tions.....	135	140	137	157	176	151	149
Clothing.....	197	221	213	231	215	213	221
Husband.....	76	82	79	85	83	79	81
Wife.....	92	106	101	111	101	100	107
Clothing materials and services.....	29	33	33	35	31	34	33
Medical care.....	260	250	366	319	262	260	264
Transportation ⁴	161	175	166	162	134	133	180
Automobile owners.....	530	576	579	534	652	589	571
Nonowners of automobiles.....	57	62	50	57	50	58	69
Other goods and services.....	337	364	367	361	364	361	365
Reading and recreation.....	95	105	105	100	111	107	105
Personal care.....	75	81	81	75	69	79	78
Tobacco.....	41	34	33	37	39	37	34
Gifts, contributions, etc.....	126	144	148	149	145	138	148
Total cost of goods and services.....	2,641	3,034	3,111	3,135	3,044	2,909	3,102
Estimated annual cost comparable in content with original budget ⁵	2,390	2,802	2,851	2,906	2,812	2,684	2,842

See footnotes at end of table, p. 105.

TABLE 2.—Annual costs of the retired couple's budget by major components, 20 large cities and suburbs, autumn 1959—Continued

Item	Port-land, Oreg.	St. Louis	San Francisco	Scranton	Seattle	Washing-ton, D. C.
Food and beverages ¹	\$887	\$870	\$920	\$900	\$938	\$864
Food at home ²	830	824	866	848	875	816
Low-cost plan.....	724	729	755	735	763	685
Moderate-cost plan.....	936	920	976	961	988	948
Food away from home.....	36	28	32	33	40	29
Housing.....	1, 078	1, 210	1, 172	838	1, 196	1, 163
Rent, heat, utilities ³	817	970	919	595	921	921
House furnishings.....	102	96	107	105	109	95
Household operation and communications.....	159	144	146	138	166	147
Clothing.....	222	213	224	211	222	216
Husband.....	82	77	82	85	85	80
Wife.....	105	102	106	100	103	106
Clothing materials and services.....	35	34	36	26	34	30
Medical care.....	326	273	346	222	336	271
Transportation ⁴	181	183	174	162	169	176
Automobile owners.....	597	595	627	543	574	583
Nonowners of automobiles.....	63	66	46	55	55	61
Other goods and services.....	355	350	387	348	391	357
Reading and recreation.....	103	93	114	115	107	102
Personal care.....	78	76	86	70	91	78
Tobacco.....	29	34	34	35	38	32
Gifts, contributions, etc.....	145	147	153	128	155	145
Total cost of goods and services.....	3, 049	3, 099	3, 223	2, 681	3, 252	3, 047
Estimated annual cost comparable in content with original budget ⁵	2, 792	2, 858	2, 949	2, 429	2, 990	2, 770

¹ Includes small allowances for guest meals and for alcoholic beverages.

² The cost of food at home used in the calculation of the total cost of the budget is an average of the low- and moderate-cost food plans shown, including the suggested additional allowance of 10 percent for small families.

³ Average contract rent for tenant-occupied dwellings that conform to the housing standards specified for the budget, plus the cost of required amounts of heating fuel, gas, electricity, water, and specified equipment.

⁴ Weighted average cost of automobile owners and nonowners.

⁵ Costs based on the low-cost food plan, and excluding allowances for automobile ownership and alcoholic beverages.

Source: Monthly Labor Review, Bureau of Labor Statistics, November 1960.

Mr. OLSEN. The next witness is Mr. Tommy M. Martin, president, National Rural Letter Carriers Association.

STATEMENT OF TOMMY MARTIN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS ASSOCIATION

Mr. MARTIN. 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 which represents active, retired, and substitute rural carriers. We are pleased to have this opportunity to appear before this subcommittee today in support of pending legislation which would accomplish several vitally needed changes in the Retirement Act.

We are appreciative of the fact that Congressman Morrison, chairman of this committee, has introduced H.R. 3310 which would provide annuity increases. Also we appreciate the introduction of bills which would liberalize the Retirement Act by Congressmen Broyhill, Daniels, Olsen, and by other Members who have sponsored similar legislation.

Probably the most pressing need today is the important provision in H.R. 3310 and other bills to increase annuities for those who are presently on the retirement rolls. These annuitants have been feeling the economic pinch. Their fixed incomes do not permit them to cope with increases in the overall cost of living. The only source of financial relief is the recognition by the Congress of their plight, and constructive action to provide a higher annuity income.

There are presently over 400,000 retired employees receiving annuities from the civil service retirement system. Almost one-half of this number receive less than \$150 per month. It is obvious that these individuals cannot maintain a proper standard of living on this limited annuity.

This association therefore endorses provisions in the pending bills which would:

- (1) Provide increases for annuitants now on the retirement rolls.
- (2) Provide for a method of effecting automatic annuity increases in the future based on the Cost of Living Index as determined by the Bureau of Labor Statistics.
- (3) Provide automatic survivor annuities.

We would further recommend that this committee give serious consideration to legislative provisions which would:

- (1) Increase the maximum age of children attending school who may be eligible to receive survivorship annuities from 18 to 21 years.

Increase the percentage of widow's annuity from 50 to 55 percent of the employee's annuity.

Apply the 2½ percent reduction in employee's annuity to the first \$3,600 rather than the present \$2,400 for the purpose of providing a survivor's annuity.

This association has serious questions relative to the proposed coordination of social security and civil service retirement. The position of the National Rural Letter Carriers' Association on this would, of course, need to await the firm proposal which we are advised will be submitted early next year by the Civil Service Commission. Irrespective of this forthcoming proposal, however, we do believe that the provisions to permit a transfer of credits between the social security system and civil service retirement system has merit. It would permit a more realistic annuity for those who have paid into both systems but who do not have sufficient credit in one or the other to provide for an equitable annuity. In addition, it would correct a serious deficiency in the present method which, on occasion, works to deprive survivors of deceased employees of any benefits. We endorse the interchange of credits as proposed in H.R. 10706.

In our opinion a most worthwhile amendment to this legislation would correct the inequity which presently exists in regard to widows eligible for benefits under law in effect prior to October 1, 1956. Up to that date, surviving widows eligible for annuity benefits were required to attain age 50 before such benefits could be paid. The law was amended on that date to eliminate any age requirements for widows. It was prospective, however, and did not eliminate the age requirement for eligible widows whose husbands had died prior to that date. We

now have the situation where some widows under age 50 are receiving benefits, while others are awaiting attainment of that age to start drawing benefits. There are not many widows in this group but we strongly feel that it is an inequity which should be corrected. We recommend that you and your committee seriously review this recommendation with a view to reporting legislation to correct this inequity.

Mr. Chairman, we thank you for the opportunity to appear before you today and testify in support of these liberalizing amendments to the Civil Service Retirement Act.

Mr. OLSEN. The next witness is Mr. Vaux Owen, president of the National Federation of Federal Employees.

STATEMENT OF VAUX OWEN, PRESIDENT OF THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. OWEN. My name is Vaux Owen. I am president of the National Federation of Federal Employees. Our headquarters office is at 1737 H Street NW., Washington, D.C.

First, I should like to express appreciation to Congressman Olsen, and other members of the House Committee on Post Office and Civil Service who introduced bills for the purpose of providing equitable annuities for retirees and for Federal employees who will retire in the future.

At the last national convention of the National Federation of Federal Employees, the delegates to that convention adopted a resolution in favor of maintaining the purchasing power of annuities. There were a number of resolutions regarding this subject, but the master resolution sought the general objective of such adjustments as would maintain the level of the purchasing power which the annuity reasonably should provide for the annuitant.

The need for an increase in annuities as well as the stabilization of the purchasing power of annuities is widely recognized. Any thoughtful person would be aware of the fact that it is not the number of dollars in the annuity but what those dollars will buy that really counts.

As the members of this subcommittee are aware a bill S. 2937, similar to H.R. 10706 was considered by the Senate Committee on Post Office and Civil Service. When the Senate bill was reported a new text was substituted which does the following:

(1) Provides a 5-percent increase, effective January 1, 1963, in all annuities then payable from the civil service retirement fund which commenced on or before that date.

(2) Applies the increase on a graduated reduction basis to all annuities which commence in the 4-year period following January 1, 1963, in keeping with the practice followed in the last previous enactment of this kind.

(3) Provides that the proper proportion of the increase granted an annuitant will accrue to his survivors.

(4) Excludes from the increase annuity amounts purchased by voluntary contributions.

(5) Removes the ceilings on increases imposed by certain previous enactments.

(6) Provides for future adjustments in the event the calendar year average of the monthly Consumer Price Index of the Bureau of Labor Statistics increases not less than 3 percent.

(7) Raises from \$2,400 to \$3,600 the portion of annuity to which the reduction of $2\frac{1}{2}$ percent applies when electing survivorship benefits.

(8) Increases the ratio of survivorship benefits from 50 to 55 percent.

(9) Reverses present procedure by providing that in the future survivorship benefits will be automatic unless an adverse election is made.

Since the Congress will soon adjourn we would suggest that the text of the bill reported by the Senate committee be substituted for the text of H.R. 10706 and that H.R. 10706 as thus amended be reported favorably.

In this way a bill on which there is a good chance the House and the Senate can agree may be enacted into law before the end of the 2d session of the 87th Congress.

I thank the chairman and the members of the subcommittee for an opportunity to present our views regarding proposed increases in annuities. I strongly urge a favorable report.

Mr. OLSEN. 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 27,000 members strongly urges and recommends the enactment of the bill H.R. 3316 and H.R. 10706 to amend the Civil Service Retirement Act so as to provide for increases in annuities, eliminate the option with respect to certain survivor annuities, and provide for interchange of credits between the civil service retirement system and the insurance system established by title II of the Social Security Act.

Over the past years, the cost of living has continued to increase, which decreases the value of the dollar. This causes a hardship on the retired Federal employee since they are on a fixed annuity. The history of economic growth and price level in this country shows a long-term rise which is not likely to be reversed.

The need of retired employees for current adjustment in annuities to match increasing living costs are not met currently nor adequately by legislative action.

Therefore we urged the enactment of legislation which would provide automatic adjustments on benefits whenever the price index increased by 3 percent.

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

Mr. OLSEN. The next witness is Mr. Daniel Jaspan, legislative representative of the National Association of Postal Supervisors.

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

Mr. JASPAN. Mr. Chairman and members of the subcommittee, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors, composed of 26,000 postal supervisors, including supervisors in the Motor Vehicle and Maintenance Service. We have members in each of the 50 States as well as Puerto Rico and the Virgin Islands.

First of all, we express our thanks to the chairman and members of this subcommittee, as well as other Members of Congress, who have introduced bills for the relief of former Federal employees now retired. The passage of any of them would afford much needed help. We feel that overall H.R. 10706, introduced by Congressman Olsen, and other identical bills, would be the best vehicle viewed from a long-range angle. It would help eliminate future inequities and would provide immediate relief. A section-by-section analysis of H.R. 10706 points up the importance of the bill to all Federal employees, active or retired.

Section 18(a) : This section, which provides that employees already retired will receive a percentage increase equal to the average of the next general salary increase granted employees under the Classification Act will help those many faithful former employees who are caught in the squeeze of their fixed incomes and the constantly increasing cost of living. This group has needed relief for years and this section of the bill, although it does not eliminate the squeeze, does make it more endurable.

Section 18(b) : Whenever a general salary increase is granted, there are many employees who will not be able to remain in the service long enough to qualify for the maximum annuity based on the 5 highest consecutive years of service. This is especially true of postal supervisors, most of whom have long periods of postal service and as a group are much nearer retirement age than any other postal group. The tapering provision of H.R. 10706, whereby their annuities will be increased—if they retire within the 5 years following the next salary adjustment—by amounts ranging from 80 percent to 10 percent of the average salary increase, will help to compensate for this loss of annuity. This incentive to retire would leave room for promotions of employees with fewer years of service instead of requiring many more years for promotional opportunities. Incidentally, we would be most appreciative if this subcommittee would study the possibility of reducing the required "high 5" consecutive years to a "high 3" years so that more employees could be entitled to the maximum annuity. Many salary increases come during the last year or two of service of many employees so that they cannot benefit from the "high 5." This change would be an excellent improvement in the retirement laws.

Section 18(c) : The retirees' automatic cost-of-living provision of this section is one of the most progressive sections of the bill. Since the value of the dollar has constantly decreased for many years and appears likely to continue this trend into the future, this section would offset the lessening of the dollar value and would permit retirees to look forward to a decent and respectable standard of living.

With the constantly increasing life expectancy rate, this section becomes even more important so that the Federal retiree can retain his dignity throughout the waning days of his life.

Sections 19 and 20 remedy an inequity under which employees may have partial coverage under the civil service retirement fund, but not enough years or quarters for coverage under either system. The transfer of the funds from one account to the other in order to provide coverage under one of the two systems will prevent many inequities in the future, and these inequities will increase as more coverage is needed to qualify under social security since, eventually, 10 years of coverage will be required for everyone.

Inasmuch as the social security coverage under this bill can be transferred to the retirement fund, this will be an incentive for employees to remain in the Federal service rather than to leave in order to qualify for social security payments, in order not to lose credit for the money they have had withheld for social security. The provision that the employee pay into the retirement fund the difference between social security withholding and the retirement fund withholding is very important since the former is a lesser amount than the latter.

As important as sections 19 and 20 are, we must emphasize the fact that we are opposed to any change in the laws to "coordinate" the two funds or lead to the absorption of one by the other. They have been kept separate and we hope that safeguards will be taken so that they will continue to be separate. Our association is completely opposed to the coordination or merger of the two systems, as evidenced by resolutions adopted by our conventions for many years.

We think that section 2 is very important. Since some employees, for reasons best known to themselves, do not desire to provide for their surviving widows, the widows can be left destitute and many probably are since this provision is now optional with the employee. Section 2(g) eliminates an injustice to female employees and gives them the right that has been accorded males only: The right to elect a "life annuity" if the husband is not dependent. We would like, however, to have the word "dependent" stricken from the law in every case where it appears with "husband" so that the law will be completely equal in regard to both sexes. As the law now stands the female employee who dies before retirement cannot provide an annuity for her husband unless he is incapable of self-support and has depended on her for at least one-half of his support. This section (10(c)) is discriminatory and we hope that H.R. 10706 will be amended to repeal this provision.

We would like to see stricken from H.R. 10706, and from Public Law 84-854, any section requiring a reduction in the annuity received by the employee to provide a survivor annuity. We hope that this committee takes that action. Under social security, there is no reduction in the amount received by the principal to provide for his survivor annuitant, and the benefit is even more than the 50-percent limitation in Public Law 84-854. In fact, under social security, in addition to an amount equal to 82½ percent of the husband's annuity—if she is age 62 or more—the widow receives a lump sum death benefit up to \$255. After retirement, the husband may have an annuity of \$127 per month and the total family benefits may be as much as \$254 per month. Thus the husband, while living, may receive his benefits and

additional benefits for his wife and children. We are not entitled to the additional amounts for the family while living. Dependent parents of the deceased employee are also covered by social security, while our Retirement Act makes no such provision.

On behalf of the National Association of Postal Supervisors, I extend our sincere thanks to the members of this subcommittee and hope that you will be able to have this bill reported out and passed by the House in the very near future.

Mr. OLSEN. The next witness is Mr. James K. Langan, operations director, Government Employees' Council, AFL-CIO.

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

Mr. LANGAN. Mr. Chairman and members of the subcommittee, my name is James K. Langan. I am operations director of the Government Employees' Council, AFL-CIO, a federation of 23 unions with a combined membership of 675,000 employees in the Federal service.

We wish to express our appreciation and thanks to members of this committee and Members of the House who have introduced bills now under consideration and others who have expressed views favoring relief for retired employees of the Federal Government.

First, we would like to endorse, in principle, H.R. 3316, introduced by the chairman of this subcommittee, Mr. Morrison, and H.R. 10706, introduced by Representative Olsen. These bills acknowledge the philosophy that retirees of the Federal Government have lagged behind the economical progress of the Nation, and have not kept pace with the gains made by the active Federal worker. Congress, and the public generally, have accepted the practice that annuity adjustments must be made from time to time in an attempt to restore the purchasing power of the dollar of an annuitant to that existing at the time of retirement. The need for the Government to accept certain national and international responsibilities at great expense is one of the major contributing factors in the devaluation of the dollar. Therefore, it is also the Government's responsibility to adjust annuity pay as it is to adjust salaries that would provide reasonable comparable standards for the annuitant as well as the active worker.

H.R. 3316 would provide a reasonable increase in the amount of annuities paid each retiree of the Federal civil service. It would also introduce a new concept in Federal annuities by providing that annuities shall be increased from time to time under the same formula that would be employed to grant increases to active employees of the Federal Government on the first day of the third month after the effective date of a general salary adjustment.

H.R. 10706 would provide an annuity increase immediately upon a general pay raise for the active employee as well as a regressive schedule of salary credits for computation purposes in fixing annuities effective through the first 5 years following a new pay raise. This feature would remove an inequity now inherent in the retirement law wherein anyone who retires immediately subsequent to a pay increase would not receive full credit for that increase in the computation of his annuity. Thereafter, the bill would provide increases based upon

percentage of increase changes as determined by the Commission of the Bureau of Labor Statistics in the Consumer Price Index. This bill implies that the Consumer Price Index is a cost-of-living figure. We do not agree that the Consumer Price Index is a cost-of-living figure, and are not in agreement that it should be the sole factor in providing adjustments for the future.

In a statement before the Committee of Post Office and Civil Service for the House of Representatives, Secretary of Labor, Arthur J. Goldberg, submitted a statement in favor of a pay-reform bill on June 14, 1962. Quoting Mr. Goldberg's testimony:

In this connection I should like to emphasize the inadvisability of relating pay levels or pay increases for Federal employees to changes in living costs or to the estimated cost of a model family budget. If adjustments in pay were strictly limited to changes in living costs, workers' standards of living would never rise. They would not share at all in the gains in productivity in the economy. This fact is recognized in private industry. * * * Actually, since pay in private industry has risen much more rapidly than the Consumer Price Index, if Federal pay standards had kept up with private industry, pay in all grades should have risen appreciably more than the Consumer Price Index.

We are in complete agreement with the statement quoted above, and believe that some other factors should be considered in making equitable adjustments due to the changes in the value of the dollar. In our opinion, we feel that a better base for providing future increases should be on figures somewhat similar to those now irregularly supplied by the Bureau of Labor Statistics on what is required for the average retired man's family or on a weighted percentage which would be a little higher than the percentage in the Consumer Price Index.

We favor the provisions of H.R. 10706, which will permit the change of credits, on a limited basis, between social security and civil service retirement. We wish to point out, however, that we strongly oppose combining civil service retirement with social security, or integrating it in any way, except in the limited manner provided in this bill, where an employee would have less than the required number of units to qualify for benefits.

Section 2 of H.R. 10706, commencing with line 21, provides mandatory survivorship annuities for surviving wife or dependent husbands. We are in accord generally with the meaning of this provision but feel that the best interest of all concerned would be to amend this provision with a stipulation that the applicant for an annuity would have to make a definite, positive statement that he did not wish to have a surviving spouse receive a survivorship annuity.

We wish to express our thanks and appreciation to the chairman and members of this subcommittee for scheduling these hearings and hope that the committee will report out a bill in the very near future.

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

**STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT OF THE
POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, GROUP
LEADERS & 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 & Employees in the Bureau of Facilities.

At the start, I would like to go on record as fully endorsing H.R. 3316 and related bills.

That subsection (e) of section 9 of the Civil Service Retirement Act (5 U.S.C. 2259(e)) is amended by striking out "2" and inserting in lieu thereof "2½". This would, if accepted by your committee be 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. OLSEN. The next witness is Mr. John J. Murphy, president of the National Customs Service Association.

STATEMENT OF JOHN J. MURPHY, PRESIDENT, NATIONAL CUSTOMS SERVICE ASSOCIATION

Mr. MURPHY. Mr. Chairman and members of the subcommittee, my name is John J. Murphy and I am president of the National Customs Service Association, an organization of career employees of the customs service.

All proposed legislation which affects active or retired customs employees is of vital interest to us.

We are in agreement with your proposals under H.R. 10706 to increase annuities in accordance with adjustment in rates of compensation, and in this transfer of social security and civil service retirement credits. But, we respectfully direct your attention to certain facts relating to the proposal to remove the option of designating a spouse as is now provided in section 9(g) of the Civil Service Retirement Act.

The following information is respectfully submitted for your consideration:

In order to aid widows and dependent widowers for whom provisions for survivorship are not elected by a retiring employee or member, H.R. 10706 would amend section 9(g) to make such coverage automatic; a husband (not dependent) would have to be designated; and the deduction from annuity (2½ percent of \$2,400 plus 10 percent of remainder) would be made in either case. The reasons for this proposal are that some widows of retired employees find that no provision was made for them; and that social security automatically protects them.

It must be stated that consideration should be given to the fact that the deduction is permanent. The annuitant receives a reduced amount all his life, even if the spouse dies. It is difficult to appreciate why Congress maintains a feature than an annuitant must pay for a survivor who no longer exists and will never collect a penny of annuity. After many years Congress agreed to give special consideration and treatment to the retirement deductions from the salaries of employees whose length of service aggregated beyond the 80 percent maximum permitted in annuity (Public Law 86-622). This is another instance where employees had been paying without benefit.

We believe that it is not equitable to remove the option and retain the deduction. It is our contention that it is a natural protective

action for married employees to provide for their families; that the choice of most is to elect survivorship, and they pay for the privilege as the law now requires. Exceptions to this action may have reasonable foundation:

(a) Separated married employees who are not divorced (for religious or other reasons) may object to making provisions for a spouse in whom they have no interest. What explanation can be given for this question of why he should forfeit a portion of his annuity for a provision which is against his wishes?

(b) A retiring employee in good health may not wish to risk permanent deduction for a spouse who is suffering from a serious malady.

(c) The law now allows a retiring employee to designate a portion of his annuity for survivorship purposes.

This bill removes the privilege.

A comparison between civil service retirement and social security will reveal that—

(1) Under social security there is no deduction for survivorship, while under civil service retirement this feature must be paid for.

(2) Wives (of age) collect 50 percent while the husband is still alive and collecting social security, while under civil service retirement survivors' annuities depend on the demise of the annuitant.

(3) Under social security, widows collect 75 percent plus a burial fee, while under civil service retirement the contractual 50 percent becomes effective.

We would welcome the survivorship features of social security in the Civil Service Retirement Act.

I greatly appreciate the opportunity to make the views of our organization known to you. Thank you for your courtesy and patience.

Mr. OLSEN. The next witness is Mr. Everett G. Gibson, president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO.

STATEMENT OF EVERETT G. GIBSON, PRESIDENT OF THE NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES, AFL-CIO

Mr. GIBSON. Mr. Chairman and members of the subcommittee, my name is Everett G. Gibson. I am the national president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO. Our national office is located at 413 Fifth Street NW., Washington, D.C.

On behalf of our membership, we want to thank you, Mr. Chairman and the members of this subcommittee, for the scheduling of these hearings on bills relating to the relief of retired employees of the Federal Government.

We endorse H.R. 3316, introduced by the chairman of this subcommittee, Congressman Morrison, which would increase the annuity of those employees on retirement whose income has lagged behind the economic progress of this country. H.R. 3316 would attempt to adjust annuities from time to time to keep up with the cost of living. One of the most important factors pertaining to our retired Federal employees is the cost of drugs and medical care during their retirement.

It is a fact that the cost of drugs have increased over the past few years and in many cases the entire income of an annuitant is used for this purpose.

We also approve the provisions of H.R. 10706 that would permit the exchange of credits between civil service retirement and social security; however, we are definitely opposed to combining civil service retirement with social security or integrating it in any manner other than that contained in H.R. 10706, wherein it is limited to where the employee would have less than a required number of units to qualify for the benefits.

Mr. Chairman, we are confident that a fair and adequate increase will be granted to our retired employees and that it will be reported out of this committee and by the full committee and that it will be enacted during this session of Congress. I want to thank you for allowing me this opportunity to appear before you today and give the views of our organization on this important legislation. Thank you.

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

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

Mr. SMITH. Mr. Chairman and members of the subcommittee, my name is Ashby G. Smith, I am president of the National Alliance of Postal Employees. I am accompanied by the administrative assistant of this organization, Charles R. Braxton.

This organization maintains offices at 1644 11th Street NW., Washington, D.C. Our members number more than 27,000 serviced by branches in 37 States. On behalf of that membership, I wish to express our appreciation for the interest you display in the subject of increased retirement benefits.

H.R. 3316, H.R. 10706, and other related legislative proposals treating with this question have our support. We support these measures because they are timely and economically sound.

They are timely in that the continued growth of our economy requires an increased consumption ability. They are sound because they make possible a more efficient stabilization of the economy in this and other adverse periods. The retirement system, therefore, represents not only an outflow of Government moneys. It represents the savings of employees supplemented by Government contributions plus interest making possible deferred consumption at a level socially and economically meaningful.

But more than this, there is before us the spectre of industrial or economic dislocation. Today, the emphasis on speed and accuracy has been translated into the kind of advanced technocracy which gathers the clouds of insecurity. Today, a long enduring employee faces the new task of mastering the more complicated methods of operation. Whatever his obligations are as accrued through the years, this problem must be faced.

Shall he be forced beyond his level of skills and pace to meet the demands of mechanization? Or shall he step out of the quickening tide of progress with the assurance of adequacy of income?

These we see as the vital questions impinging upon the aging worker. Here, the optional decision of working beyond the normal work span becomes drastically limited. Justice to himself as a human being with his individual limitations, and to his family with the filial devotion becomes an important factor. No less important is the level of competence which he must bring to the new and costly investment which the postal service and the taxpayer makes in him by way of the novel equipment.

The adequacy of income as referred to above is summed up as follows by Mr. Andrew E. Ruddock, Chief of the Civil Service Retirement Division.

Ruddock regards the second written promise as the most important to career civil servants. He said: "It is a promise that if we stay in the employ of Uncle Sam and complete a career of 30 to 35 years, contribute to the retirement fund, this fund will then provide us with a retirement income which is adequate. (We are promised that our earned annuity will be enough so that we can retire and live in comfort and dignity; that we can enjoy a standard of living in retirement which compares favorably with our standard of living while we were still employees.)"

This statement is taken from the Federal Diary by Jerry Klutz, columnist for the Washington Post, dated September 28, 1958.

At the other end of the scale, but nevertheless, involved deeply in the retirement problem, is the younger worker. He is just assuming life's obligations. He must, in some manner find his way into the work force. Therefore, he, too, has a stake in the adequacy of the retirement benefit. With the rising unemployment statistics and the slow pace of business and consumption, we as a nation are faced with the alternatives of facilitating the voluntary retirement of our eligibles or meeting the rising cost of work and training programs.

We submit that this is not an easy decision to make between human costs and monetary costs.

At this juncture, we wish to treat with the social security feature as embodied in H.R. 10706. We have deep reservations relative to this proposal to place postal and Federal employees under this system.

We see the civil service retirement system as being specifically designed to meet the needs of Federal and postal employees. It is designed to aid the principle of career service rather than to provide an inducement to increased job mobility. Furthermore, we find the prospect of widespread intervention of hostile spokesmen for industry in the negotiations over social security a most uninviting prospect for injection into the considerations of the civil service retirement system and those affected by it.

While Mr. George Meany, president of the AFL-CIO and this organization differ in many respects, we, here, share a common view. He says in his statement on improved social security program before the Ways and Means Committee of the House of Representatives on April 9, 1954, the following:

"These coverage proposals are technically and administratively feasible and socially and economically desirable. We are aware that they do not provide 'universal coverage,' in that there is no proposal to amalgamate the retirement system for employees of the Federal Government with social security. Nor is there any provision for com-

binning the special system now in effect for railway workers with OASI. We believe it is to the advantage of workers in these categories of employment, for which the Federal Government has a long-recognized special responsibility, as well as in the public interest, to keep these systems separate."

We, therefore, must maintain our historic opposition to this feature until the advantage to the postal worker is more clearly apparent than it is now.

We now wish to treat with the economic validity for the increase in annuities as recommended. To do this, and in the interest of brevity, we simply state that in a recent appearance before the full committee of this committee on the subject of the proposed salary increase, we set forth certain data taken from the Economic Indicators pointing to the continued rise in gross national product and gross national income. There, we pointed to the necessity for a closer paralleling of income growth for postal employees that they may not become the forgotten people of the economy. In addition, we asserted the necessity for maintaining consumption standards commensurate with the advancing level of consumption afforded by the economy.

Indeed, this premise applies equally to the annuitant. For whatever may be said, ours is a consumption economy. And the basic economic reasoning, apart from the great social concept of human dignity, is that transfer payments must play a key role in the maintenance of consumption levels. Otherwise, we may suffer great economic disruption.

This consumption function, we submit must be relative to the productivity of the economy, otherwise the greater tendency would be toward under-consumption by this segment of the population.

Therefore, it is our considered view that the increased annuities at this time serve a tremendous economic and social purpose. It will increase the stabilizing efficiency of a consumption oriented economy; it will facilitate the transition of retirement eligibles from a swifter paced operation with greater assurance of adequate income; it will provide openings for the more flexible youth in a time of technological change; and it will make possible to a greater extent the new production demands of the service.

It is with some regret that we are not favorably inclined to the social security feature, though well intentioned. We see the current difficulties besetting the retirement system further compounded by the power struggle which besets that program.

Thank you Mr. Chairman for the privilege of presenting the views of this organization on the proposals before you. It is our sincere hope that we have in some way assisted you in your deliberations.

Mr. OLSEN. The next witness is Mr. Philip L. Roof, executive assistant to the Architect of the Capitol.

STATEMENT OF PHILIP L. ROOF, EXECUTIVE ASSISTANT TO THE ARCHITECT OF THE CAPITOL

Mr. Roof. Mr. Chairman and members of the subcommittee, the regular year-around force under the Architect of the Capitol totals 1,175 employees—of which 282 are part-time charwomen and 121 patronage elevator operators and patronage laborers.

Of this total, 369 are employees of the Senate Office Buildings subject to the control of the Senate Committee on Rules and Administration (40 U.S.C. 174(c)); 381 are employees of the House Office Buildings and Capitol Power Plant subject to the control of the House Office Building Commission (40 U.S.C. 175); 64 are employees of the Senate and House wings of the Capitol subject to the control of the Senate Committee on Rules and Administration and the Speaker of the House, respectively (40 U.S.C. 167, 168). This makes a total of 814 employees subject, by statute, to congressional committee or commission control.

None of these employees is subject to the congressional employee benefits of the retirement system. Since 1920 they have been subject only to the same benefits as employees of the executive branch.

The total of 1,175 employees does not include employees of the House and Senate restaurants under the Architect of the Capitol who have been defined by the Comptroller General to be employees of the House and Senate and consequently subject to the congressional employee retirement system.

Whereas it is true that many of the employees under the Architect of the Capitol enjoy long tenure of office, yet this is also true of many employees of the Senate and House, particularly committee employees and employees of the Office of Secretary of the Senate, Sergeants at Arms of Senate and House, Clerk of the House, and others. The Senate has just recognized this fact by establishing a seniority pay system for such employees of the Senate in the Legislative Branch Appropriation Act, passed August 2, 1962.

The Architect of the Capitol has long been defined by the Comptroller General, in numerous rulings, to be an officer of the Congress, and the Office of the Architect has likewise been defined to be a part of the legislative establishment.

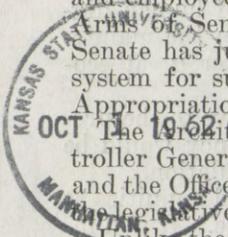
Unlike the heads of other agencies under the legislative establishment—such as the Librarian of Congress and Public Printer—the Architect does not function as an independent officer empowered by Congress to make and operate under his own rules and regulations, but actually performs most of his duties, under existing law, under the direction of committees and commissions of the Congress, who for many years have been vested by Congress with the authority to make rules, regulations, and policies governing the Architect in the exercise of his duties.

Because of the nature of the Architect's duties and the statutory setups under which he functions, it has been the practice of the Congress, particularly in recent years, to accord the Architect the same treatment as the Senate and House under general administrative laws.

The employees of the Architect do not have civil service or other protective status.

Laborers of the Architect of the Capitol work alongside of the laborers of the Sergeants at Arms of the Senate and House, and the Senate and House restaurants, and yet are not accorded the same retirement benefits. This is true also with respect to other classes of employees.

The Architect of the Capitol urges that existing law be amended to include the Architect and employees of the Architect under the con-



gressional employee benefits of the Retirement Act, so that all employees of the Congress may receive like benefits.

Mr. OLSEN. Without objection, I will insert in the record a letter from Mr. Edward T. Blackstone of Syracuse, N. Y., submitted by Mr. Abe Ziegler, secretary, New York Federation of Chapters, National Association of Retired Civil Employees, Syracuse, N. Y.

NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES,
NEW YORK FEDERATION OF CHAPTERS.

HON. JAMES MORRISON,

Chairman, Subcommittee of the House Post Office and Civil Service Committee:

My name is Edward T. Blackstone of Syracuse, N. Y. I am making this statement in support of H. R. 6855, the Morrison bill. I am a member of the National Association of Retired Civil Employees, Chapter No. 200, Syracuse, N. Y.

I will be 90 years old this coming January 6. I entered the postal service, as a letter carrier, in 1915. I served continuously until 1938, when I retired on account of the age limit, 65. I have been retired 24½ years. The most pay I ever got was \$2,100 a year; 86⅔ cents an hour. You bought your own uniform; even paid for the number on your cap.

Upon retirement my annuity was \$72.22 monthly. My present annuity is \$140 monthly. I am very grateful to the Congress for past annuity increases, totaling slightly less than 100 percent. However, this substantial increase, has failed to keep pace with the sustained, postwar, inflationary increase in the cost of living, as it especially affects retirees. I am not talking about statistics, I am not a statistician. I have been told that statistics may be used for many purposes. I am talking about my own, everyday experiences. I know that my standard of living has definitely worsened since the beginning of the postwar inflation.

My original annuity of \$72.22 monthly was quite small, by present day standards, but in 1938, and the postwar years it bought me a tolerable living. It permitted me to maintain my dignity as an individual, and to enjoy my retirement years. In 1938, the dollar was worth 100 cents. A "canny," thrifty shopper could really "stretch it" quite a bit. A good house rented for \$30 monthly. My real estate taxes in 1938 were slightly more than \$50; for 1962 they are very close to \$300. Five dollars bought a week's groceries for a couple and without stinting. Today the 1938 \$5 grocery basket costs \$15 and more. Drugs, medical bills, and hospital costs were correspondingly low. In 1938, you could see a good movie for 35 cents; today movie admissions are \$1 or more. A union haircut was 50 cents, or even less, today it is \$1.50 to \$2. In 1938, a thrifty shopper could buy a good suit and overcoat for \$20 or even less. I am sorry, Mr. Chairman, but I do not know what the cost of good clothing is today. You see, I have not had a new overcoat in 20 years. I have not had a new suit or new pair of shoes in 20 years. On my postwar annuity I have not been able to buy new clothing. I think I have been lucky in "inheriting" the clothing of my older contemporary friends who have passed on, and others. Some of my friends do not know how acceptable were some of the things they "happened" to let fall into my lap.

And now let's go back and see what you can do on \$140. First thing you must do, is to "learn to go without." I have learned it well. I have had to reduce the "quality" of my food. I have had to let my house "run down." Who can afford the present day fantastic costs of maintenance. I have had to wear castoff secondhand clothing. I have not been to a "movie" in so long, I have forgotten the last time. It is many, many years since I have indulged in any form of paid commercial entertainment. I have not been over 5 miles away from my home, but four times, in 15 years and three of those trips did not cost me a cent. And this isn't because I am unable to travel, there, the Lord has been very good to me.

The truth is Mr. Chairman, that at today's highly inflated prices a couple cannot live on an annuity of \$140 monthly.

I wonder sometimes how I live? Fortunately, I have a small amount of additional income that enables me to exist, that's all. Like the great majority of elderly citizens I am beset with illness and the extraordinary high costs of medical and hospital care. I have a blind wife, totally blind. She is also a cripple—she cannot walk. In 1961 my medical and hospital bills exceeded my annuity. My gross medical and hospital bills were \$3,300, reduced by insurance to \$2,033. My

annuity of course was \$1,680. I had to dig up the balance of \$2,033 from sadly depleted savings and inheritances. Oh yes, my wife has just been admitted to the hospital with a broken ankle, and so the medical and hospital, "merry-go-round" starts all over for me.

Mr. Chairman, there are no more "savings." There are no more inheritances. My one fear, my constant dread, is the possibility that I may have to wind up on relief and welfare, a fancy name for pauper. All my life I have taken pride in my Yankee independence, self-reliance, and that of my pioneer American ancestors before me. I served my Government loyally and faithfully for 23 years—"no strikes," "no overtime." I looked forward to my retirement days as pleasant days of contentment, but it has turned out to be a "nightmare" of frustration and privation. Paupers on relief—giving due allowance to their free medical and hospital care—are better off than hundreds and thousands of us Federal annuitants.

Mr. Chairman, we do not ask for charity. We are not asking for governmental handouts. All that we ask for is fairplay and justice. I respectfully submit that Congress has the moral responsibility, to make us "whole" in our annuities, to restore to us the full purchasing value of our annuity dollars which we paid for in sound 100 cent dollars. We do not ask to share the general improvement and in the prosperity enjoyed by the employed population. All that we ask is that you restore us to our postwar condition. Only the Morrison bill, H.R. 6855, comes approximately close to giving the pre-1956 retiree justice. We ask you to report out favorably H.R. 6855. Finally, we respectfully ask this committee, that when they get down to deep thinking they do not lightly pass us by.

EDWARD T. BLACKSTONE.

Mr. OLSEN. I will now close the hearing, and we will go into executive session.

Thank you, gentlemen.

(Thereupon, at 10:45 a.m., the subcommittee adjourned.)

