QUARTERS ALLOWANCE AND RETIRED PAY

HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 11221 (S. 3170)

INCREASING THE BASIC ALLOWANCE FOR QUARTERS FOR MEMBERS OF THE UNIFORMED SERVICES

S. 401 and S. 626

RECOMPUTATION OF RETIRED PAY

JUNE 7, 1962

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H.R. 11221 (S. 3170)

TO INCREASE THE BASIC ALLOWANCE FOR QUARTERS FOR MILITARY PERSONNEL

RECOMPUTATION OF MILITARY RETIRED PAY

THURSDAY, JUNE 7, 1962

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:30 a.m., in room 212, Senate Office Building.

Present: Senators Russell (presiding), Stennis, Symington, Jackson, Ervin, Cannon, Saltonstall, Smith (Maine), Beall, and Goldwater.

Also present: Harry L. Wingate, Jr., chief clerk; Herbert S. Atkinson, assistant chief clerk; and William H. Darden, and T. Edward Braswell, of the committee staff.

QUARTERS ALLOWANCE AND RETIRED PAY

Chairman RUSSELL. The committee is pleased to have with us this morning the distinguished Secretary of Defense, Hon. Robert S. McNamara.

Today we are to first consider two bills that would increase the basic allowance for quarters for military personnel.

S. 3170 contains the Department of Defense proposal as it was transmitted to the Congress.

H.R. 11221 is an amended version of that proposal. As a general guide increases in both bills are based on the concept that the military quarters allowances should be related to housing expenses for civilians at income levels comparable with the military pay grades.

Both bills recommend identical increases for officers' and warrant officers' dependents with percentage increases ranging from 15 to 28 percent, monthly dollar increases from $28.70 to $33.30.

For the enlisted grades the House bill authorizes increases ranging from 7.6 to 55.6 percent, with the monthly dollar increases ranging from $6 to $42.90. The House bill would also make certain important changes in concept by removing the senior enlisted grades from the Dependents Assistance Act provisions and returning them to the permanent law provisions with a quarters allowance similar to officers. In the defense proposal the enlisted increases differ slightly for the senior grades. No increase, however, is recommended for certain lower enlisted grades. The defense proposal makes no change in existing concepts.

The Chair would observe that the quarters allowances have not been raised since the 14 percent increase granted in 1952. The record should also indicate, however, that the total compensation for most pay grades has increased substantially since 1952 as a result of the basic pay raises in 1955 and 1958.

I understand, Mr. Secretary, with the exception of the effective date question the Department supports most of the House changes in the bill. It would be helpful to us if you would indicate precisely wherein the Department disagrees with the House version.

Each member of the committee will find before him a committee print containing an analysis of the two pending bills.

After we have heard the Secretary's testimony on this issue, and he has been questioned by the committee on quarters allowance bills, the Secretary will discuss some of the issues and problems involved in retired pay as proposed in the recomputation bills.

You may proceed now, Mr. Secretary, if you will be good enough to give us your views on the bill as passed by the House increasing basic allowances for quarters.

(S. 3170 and H.R. 11221 follow:)

[S. 3170, 87th Cong., 2d sess.]

A BILL To amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), is amended—

(1) by amending that portion of the table in subsection (f) that prescribes monthly basic allowances for quarters for commissioned officers in pay grades O–1 through O–10 and warrant officers in pay grades W–1 through W–4 to read as follows:

"Pay grade	Without dependents	With dependents
O–10	$160.20	$201.00
O–9	160.20	201.00
O–8	160.20	201.00
O–7	160.20	201.00
O–6	140.10	170.10
O–5	130.20	157.50
O–4	120.00	145.05
O–3	105.00	130.05
O–2	95.10	120.00
O–1	85.20	110.10
W–4	120.00	145.05
W–3	105.00	130.05
W–2	95.10	120.00
W–1	85.20	110.10";

(2) for the duration of section 3 of the Dependents Assistance Act of 1950 (50 App. U.S.C. 2203), by amending that portion of the table in subsection (f) that prescribes monthly basic allowances for quarters for enlisted members in pay grades E–1 through E–9 to read as follows:

"Pay grade	Without dependents	With 1 dependent	With 2 dependents	With 3 or more dependents
E–9	$85.20	$115.20	$115.20	$125.10
E–8	85.20	115.20	115.20	125.10
E–7	75.00	102.60	102.60	120.00
E–6	70.20	96.90	96.90	115.20
E–5	70.20	96.90	96.90	110.10
E–4 (over 4 years' service)	70.20	96.90	96.90	110.10
E–4 (4 years' or less service)	60.00	60.00	77.10	96.90
E–3	55.20	55.20	77.10	96.90
E–2	55.20	55.20	77.10	96.90
E–1	55.20	55.20	77.10	96.90";

and

(3) by striking out subsection (g).

SEC. 2. A member of the uniformed services may not, because of this Act, suffer any reduction in the basic allowance for quarters to which he was entitled on the day before the effective date of this Act.

SEC. 3. This Act becomes effective on January 1, 1963.

[H.R. 11221, 87th Cong., 2d sess.]

AN ACT To amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services and to make permanent the Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.), and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the table in section 302(f) of the Career Compensation Act of 1949, as amended (37 U.S.C. 252(f)), prescribing monthly basic allowances for quarters for members of the uniformed services, is amended to read as follows:

"Pay grade	Without dependents	With dependents
O–10	$160.20	$201.00
O–9	160.20	201.00
O–8	160.20	201.00
O–7	160.20	201.00
O–6	140.10	170.10
O–5	130.20	157.50
O–4	120.00	145.05
O–3	105.00	130.05
O–2	95.10	120.00
O–1	85.20	110.10
W–4	120.00	145.05
W–3	105.00	130.05
W–2	95.10	120.00
W–1	85.20	110.10
E–9	85.20	120.00
E–8	85.20	120.00
E–7	75.00	114.90
E–6	70.20	110.10
E–5	70.20	105.00
E–4 (over 4 years' service)	70.20	105.00."

SEC. 2. Section 302(g) of the Career Compensation Act of 1949 (37 U.S.C. 252(g)) is repealed.

SEC. 3. Section 302(h) of the Career Compensation Act of 1949, as amended (37 U.S.C. 252(h)) is amended by inserting the words "in pay grades E–1, E–2, E–3, and E–4 (four years' or less service)" after the words "enlisted members with dependents" and by striking out the words "(or in the case of enlisted members in pay grades E–4 and E–5, $60; or in the case of enlisted members in pay grades E–6, E–7, E–8, and E–9, $80)".

SEC. 4. The Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.) is amended—

(1) by striking out the word "suspended" wherever it appears and substituting in place thereof the word "repealed";

(2) by striking out the words "for the duration of this Act" in section 1 (50 App. U.S.C. 2201);

(3) by striking out the words "for the duration of this Act" in sections 2 and 4 (50 App. U.S.C. 2202, 2204) and capitalizing the first letter of the next word in each case;

(4) by amending section 3 (50 App. U.S.C. 2203) to read as follows:

"SEC. 3. Subject to section 302 of the Act of October 12, 1949 (Public Law 351, Eighty-first Congress), members of the uniformed services in pay grades E–1, E–2, E–3, and E–4 (four years' or less service) who are entitled to receive basic 0ay shall be entitled to receive a basic allowance for quarters at the following monthly rates according to the pay grade to which assigned or in which distributed for basic pay purposes:

"Pay grade	Without dependents	1 dependent	2 dependents	3 or more dependents
E–4 (4 years or less service)	$55.20	$83.10	$83.10	$105.00
E–3	55.20	55.20	83.10	105.00
E–2	55.20	55.20	83.10	105.00
E–1	55.20	55.20	83.10	105.00."

(5) by amending section 8 (50 App. U.S.C. 2208) by striking out the words "For the purposes of this Act" and capitalizing the first letter of the next word and by inserting the words "(over four years' service)" after the words "pay grade E–4"; and

(6) by repealing sections 9 and 16 (50 App. U.S.C. 2209, 2216).

SEC. 5. Section 1 (c) and (f) of the Act of May 19, 1952, chapter 310 (66 Stat. 79, 80) is repealed.

SEC. Notwithstanding any of the provisions of the Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.), enlisted members of the uniformed services in pay grades E–1, E–2, E–3, and E–4 (4 years' or less service) ordered to active duty for training for a period of thirty days or more, except enlisted members on training duty under section 262 of the Armed Forces Reserve Act of 1952, as amended (50 U.S.C. 1013), or any other comparable enlistment program that requires an initial period of training duty of not less than three nor more than six months, shall be considered as members of the uniformed services on active duty in comparable grades for the purposes of the Dependents Assistance Act of 1950, except that sections 4 and 6 of that Act (50 App. U.S.C. 2204, 2206) relating to the initiation and mantenance of allotments, do not apply to persons in this category.

SEC. 7. This act becomes effective on October 1, 1962.

Passed by the House of Representatives May 10, 1962.

Attest:

RALPH R. ROBERTS, *Clerk*.

STATEMENT OF HON. ROBERT S. McNAMARA, SECRETARY OF DEFENSE

Secretary McNAMARA. Mr. Chairman, I have a very brief statement which I would like to read if I may, and then I would be prepared to answer such questions as the committee chooses to direct to me.

I am appearing before the committee this morning in support of H.R. 11221. This bill has modified to some extent in the case of the enlisted grades the legislative proposal originally submitted by the Department of Defense.

However, the changes do not alter the basic principles which the Department's proposal sought to incorporate in the allowance structure. We support the House bill.

Basic allowances for quarters at the present time are essentially those established by the act of May 19, 1952. This act provided for an increase of 14 percent, as the chairman mentioned a moment ago, in existing allowances, which approximated the rise in housing costs between 1949 and 1952.

That has been the only increase granted since 1949 in the case of officer personnel.

Most enlisted personnel, however, benefited substantially from the Dependents Assistance Act of 1950, which increased allowances authorized by section 302 of the Career Compensation Act of 1949 and extended entitlement to dependents allowances to all enlisted grades. The 14-percent increase authorized in 1952 was based on the 1950 rates in the case of enlisted personnel.

The increases in the basic allowance for quarters which we are now proposing are based in large part upon the recommendations of the Advisory Panel on Military Family Housing Policies and Practices, which I established in September 1961 to study the overall problem of military family housing. I organized the committee to study the overall question of family housing including overall quarters allowances.

This Panel consisted of civilian experts in financing, marketing, construction, and management of real property, under the chairmanship of Mr. Gilpatric, my deputy. The report of the Panel disclosed that the rates established in 1949 were intended to reflect the housing costs then but were actually based on 1947 source data.

Therefore, while the 14-percent increase in 1952 approximated the rise in the cost of housing between 1949 and 1952, the rates established at that time did not adequately reflect 1952 housing costs, because, as I mentioned, the 1949 structure was based actually on 1947 costs.

Since 1952, housing costs have increased markedly and the housing index of the Bureau of Labor Statistics indicates that 1961 costs were almost 50 percent above 1947.

In the development of the rate structure recommended by the Housing Panel, the study group assigned to the project, working for the Panel, made a thorough analysis of the history and background of existing allowances, including the report of the Hook Commission, which had provided the basis for rates established in the Career Compensation Act of 1949, and the report of the more recent Cordiner Committee, associated with the 1958 action.

Both of these studies accepted the principle that military quarters allowances should be based on the cost of procuring housing on the civilian market.

The study group accepted the same criterion and then sought the best means of determining such costs, preferably an independent, third party source.

Data from numerous agencies were consulted, including principally the Bureau of the Census, Bureau of Labor Statistics, and the Federal Housing Administration. Initially it appeared that the Consumer Price Index (Housing), published by the Bureau of Labor Statistics, would be the most readily available and satisfactory guide.

After considerable study it was determined that this was not the case for several reasons:

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(1) The index provides comparison of general conditions between specified dates. However, existing quarters allowances are not based on common starting points, as I pointed out earlier, the officers' allowance being based on 1952 point, in turn reflecting a 1949 point, and the enlisted allowance being based on a 1952 adjustment to a 1950 base.

As I mentioned, although both allowances have been increased 14 percent in 1952, the bases were different and thus a flat percentage increase derived from the index would not provide uniformly equitable benefits to the two groups.

(2) The allowances provided by the Dependents' Assistance Act of 1950 are generally the same for all enlisted grades. No framework of graduated allowances for enlisted personnel currently exists. Such graduated allowances are strongly recommended by the Department of Defense for incentive purposes.

It is just as incongruous for a private to be authorized the same allowance as a sergeant major as it would be for a second lieutenant to receive the same allowance as a general officer. The BLS index would provide no guidance in setting up a graduated scale.

(3) BLS indexes do not adequately indicate differences in expenditures by families in various income groups. The indexes indicate the effect of price changes from one period to another, but the quantity and quality of the items under consideration are held constant.

Thus the rent and utilities indexes reveal nothing about changes in the size and type of housing which families in various income groups buy or rent, or the amounts they choose to spend for optional housing expenses.

The Federal Housing Administration publishes extensive annual statistics in connection with its mortgage insurance activities.

One of its reports, reflecting the housing expenses of civilians according to their incomes, was finally accepted by the Housing Panel as the best available source for computation of the BAQ rate structure, due to the following characteristics:

(1) The analysis directly reflects current cost conditions, requiring no comparisons with cost date of a preceding period.

(2) It includes the information necessary for establishing a graduated allowance for all ranks in that it reflects expenditures for housing by various income groups.

(3) The data is regularly available and can be used for future BAQ adjustment studies at no additional cost to the Government.

The study group working on this problem recognized the fact that the expenses of house purchasers, reflected in FHA data utilized, and the expenses of renters were not directly comparable, but concluded that the former, if anything, would be on the conservative side, understating the cost rather than overstating it, and subsequent research by the Defense Department has validated the conclusion of the study group in this regard.

The study made by the Housing Panel does not justify a claim that the rates recommended are proper to the penny.

We believe that the best available data have been utilized. At the same time, however, we acknowledge that they provide only basic guidance, particularly when one considers the large number of variables involved in the problem.

Foremost among these, probably, are the regional variations in housing expenses. We would like to have regional allowance scales

and have explored this possibility, but no regional index is available which suits our needs.

It is true that we conduct housing cost surveys by regions in connection with our housing construction programs. These studies are of the ad hoc type, however, not regularly maintained, and considered inadequate for the establishment of equitable regional allowances.

Application of the FHA analysis of civilian housing expenses to the military situation is relatively simple, requiring the computation of the income of military personnel at each rank, and the comparison with the appropriate civilian income bracket, for which the median monthly housing expense has been computed by FHA.

In the Housing Panel study the third quartile of the monthly housing expense was employed as a basic guidepost in the preparation of the revised military rate structure due to the fact that military families are transient and are at a disadvantage in finding adequate housing at reasonable rents in comparison with permanent residents of the community.

However, in the evolution of the proposed legislation, proposed by the Defense Department, the currently proposed rates have come to compare rather closely with the median point.

For example, a major now receives a quarters allowance of $119.70. The median monthly civilian housing expense in the same income bracket from the FHA reports is shown as $152.39. The recommended allowance for this rank is $145.05, comparing very closely, therefore, with the median and that is an increase of 21.2 percent from the present rates.

In the enlisted grades, a staff sergeant (E–6) now receives either $77.10 or $96.90 per month, depending upon the number of dependents he has. Civilian housing expenses in a comparable income bracket are $110. The proposed new rate is $110.10, an increase of 42.8 percent or 13.6 percent, depending upon the number of dependents.

Expressed as a percentage of total pay and allowances, the proposed increases range in the case of officers from a high of 6.1 percent for second lieutenants to a low of 1.4 percent for generals.

In the enlisted grades the range is from 5.9 percent for first sergeants to a low of 2.4 percent for private, first class.

The Department of Defense did not propose an increase in allowances for the lower enlisted grades, because it appeared that personnel in these grades were already being paid an allowance greater than the housing expenses of their civilian counterparts.

However, we are supporting the House bill. The House in reference to that change they made in our proposal stated:

> The Dependents' Assistance Act for the lower four pay grades is, in effect, the major source of income. * * *
>
> * * * The rental allowances * * * were never intended to be a rental allowance alone. The quarters allowance system was merely a convenient administrative device for accomplishing this basic purpose.

The maximum allowance provided for in the case of E–1, E–2, E–3, and E–4 (4 years or less service) is the minimum allowance provided for in the case of our career NCO's.

Any greater increases for the lower grades would result in an undesirable inversion of allowances between our career NCO's and our lower grade enlisted personnel.

As I have stated before this committee, and as I know you believe, I consider that adequate housing for our service families is of vital importance in our efforts to make military careers sufficiently rewarding to enable us to attract and retain high-caliber personnel in both the officer and enlisted rank structures.

Mr. Reed, Deputy Assistant Secretary for Family Housing, has previously appeared before you and presented our plans in the area of housing construction for military personnel. But obviously we cannot expect to provide Government housing for all military personnel.

As a matter of fact, there are today in the grades E–4 with 7 years service and above, only 39 percent of the eligible personnel housed in military quarters, and the program which we have presented to the committee will not substantially increase that percentage, important as the program is.

We are attempting to program as judiciously as possible in those areas where the greatest benefit will be derived. We owe to those military peronnel for whom we cannot provide housing, and that is the majority as I suggested, we owe them quarters allowances more in line with current costs in the civilian community.

We consider the proposed increases to be very modest and request your favorable consideration.

Mr. Chairman, this concludes my prepared statement.

Chairman RUSSELL. Mr. Secretary, when the proposed 1952 Pay Act came to us from the House I studied that bill very earnestly and we rewrote it over here.

As I recall, we rewrote it over here in the Senate and increased the housing allowances and reduced somewhat the pay that the House bill recommended.

I strongly approve of increasing these present rates but some of us, too, have an interest in the total costs. I notice you didn't give us that.

How much do you think it will cost, based on the present size of our Military Establishment, to implement these recommendations?

Secretary MCNAMARA. Mr. Chairman, calculated as it is calculated for purposes of considering this legislation, the cost of the Defense Department's original proposals approximated $259 million per year.

The action taken by the House increased that total by about $26 million. The cost, therefore, of the changes incorporated in the House bill per year approximates $286 million.

The total quarters allowances incorporating the increases proposed by the House approximates $1,683 million per year.

Chairman RUSSELL. Now, the House set the effective date as of October 1 instead of January 1, as proposed by the Department of Defense. How much Would the additional cost be in implementing the bill on October 1 rather than January 1.

Secretary MCNAMARA. The annual cost, as I suggested, is on the order of $286 million which would be roughly $40-odd million a month and, therefore, a 3-month advance in the application of the legislation would cost in the order of $120 million. I beg your pardon, it is 20 a month. It costs on the order of $60 million.

Chairman RUSSELL. Yes; between $60 and $70 million.

Are you recommending that it take effect the first of October?

Secretary McNamara. No, sir. We would continue to recommend that it become effective January 1, in order to provide for an orderly transition to the new allowance scales.

The House, in addition to modifying certain of our rate proposals also shifted personnel from the Dependents' Assistance Act provisions to Career Compensation Act provisions and associated with this change, and associated with certain other changes, are changes in the so-called Q allotment provisions.

This will require that several hundred thousand personnel be offered the opportunity to change their Q allotments, and to the extent they do change them these allotments will have to be processed.

There is a huge clerical task associated, therefore, both with the basic rate changes and with the form which payments are to be authorized to the families.

To achieve an orderly transition from our current structure to the new structure, we believe we should allow more time than will be available between the passage of the bill and October 1 and, therefore, we continue to recommend January 1.

Chairman Russell. Mr. Secretary, you referred to the changes that were made in the allotment laws, I believe that the bill that the Department sent up originally didn't make those changes but they were incorporated in the House bill, is that correct?

Secretary McNamara. That is correct, Mr. Chairman.

Chairman Russell. And the House bill would put those allotments for certain grades on a permanent basis, whereas heretofore that has been a temporary law?

Secretary McNamara. Mr. Chairman, as I understand it, the House bill makes two changes associated with the point you have just referred to.

First, that transfers certain personnel from the provisions of the Dependents' Assistance Act to the provisions of the Career Compensation Act as far as quarters allowances are concerned, and that change by itself, in effect, eliminates the requirement for Q allowances or Q allotments for those personnel.

And specifically those are the personnel in grades E–4, with 4 years service and above, through E–9.

The House did this, stating that they should be treated as officers are treated so far as allotments are concerned.

Chairman Russell. Before you get to the second one. Do you think it is wise to eliminate the Q allotment?

Secretary McNamara. I have discussed this with personnel more experienced than I in military compensation, and it was our initial view that it was unwise. I don't feel so strongly on the matter, however, as to ask you to override the House action, and we would, therefore, accept it, and support it.

Chairman Russell. I have an idea that members of this committee and Congress generally are getting quite a few letters from service wives over the country about the elimination of the Q allotment.

Secretary McNamara. The second change made by the House referred to by you, was the change that had the effect of making a Dependents' Assistance Act permanent legislation.

We did not propose such a change.

We, of course, would accept it as a practical matter; it makes very little difference to us.

We didn't propose it because that act is associated with other acts which are temporary in nature, and it seemed illogical to us to take one of a series of acts that are closely related, and change it to permanent legislation, while leaving the other acts on the basis of temporary legislation.

That was the reason why we didn't propose the change initially. But as I suggest, from a practical point of view, the change has very little effect on our operations and, therefore, we are willing to accept it.

Chairman RUSSELL. Do you know the reason that caused the House to make that change?

Secretary McNAMARA. I have read the testimony, and the report of the House as it relates to that, and they indicated that they felt that personnel with dependents in the lower enlisted grades were a permanent feature of our military organization and, therefore, the legislation that authorized the payment of dependents' allowances to such personnel should be permanent legislation.

I think there is considerable merit to that argument, except that it applies equally well to other pieces of legislation for which no proposal was made to change from temporary to permanent.

Chairman RUSSELL. As I understand it, one of the changes that was made in the other body in the bill not only abolished the Q allotment and made the housing allowance payable directly to the serviceman and eliminated his wife from the picture, but it also eliminated any differences in pay based on the number of dependencies. Was that eliminated by the House?

Secretary McNAMARA. Yes, Mr. Chairman, if I may go back to your first statement, it is my understanding the House action did not eliminate Q allotments but eliminated only those of E–4's, with 4 years and above.

Chairman RUSSELL. That is what I had in mind. It was only the top grades.

Secretary McNAMARA. Yes; the House bill had that effect and also beyond that as you suggested, reduced the number of dependents categories. We had proposed a three-category structure for grades E–4, 4 years' service and more, and above, the three categories being without dependents, and then two categories for those with dependents, the first category covering personnel with one or two dependents, and the second category covering personnel with three or four dependents.

The House combined our two categories with dependents into one category. They considered that the enlisted personnel in these particular categories, E–4, 4 years' service and above, through E–9, should be treated for this purpose in the same way that the rate structure treats officers. There are only two categories of allowances for officers, with and without dependents.

Again, I believe there was considerable merit to our original proposal, but I am prepared to support the House action because it makes relatively little difference as they applied it. It does increase the cost of the legislation by approximately $8½ million per year.

Chairman RUSSELL. There is one other change in the effect it would have on the housing program, the housing requirements for the armed services. The present requirements are based on those entitled to quarters allowances E–4, 7 years and up and this would reduce it to 4 years.

Secretary McNamara. Mr. Chairman, I don't believe the legislation itself changes the regulations relating to housing and housing requirement calculations.

It has been the practice, I understand, within the Department for a number of years——

Chairman Russell. That is correct.

Secretary McNamara. To apply the rule you have suggested.

Chairman Russell. It is not a law, it has been the practice.

Secretary McNamara. Exactly, and since it is not a law, but rather a practice, I would propose not to change the practice and, therefore, I think the legislative change proposed by the House need not be considered as having any effect on housing construction requirements.

I spent considerable time last year working on the housing construction program. We had that firmly in hand. It provides for the construction of about 70,000 units for military personnel over the next 5 years, and I would not propose to change that program because of this legislation.

As a matter of fact, this legislation should act to reduce the housing requirements because one of the standards on which we calculate required housing is the availability of housing within the limits of the housing allowance. As we increase the housing allowance, more housing should be considered available and we actually believe that this will happen. There will be a small reduction, therefore, in the calculated housing required for new construction.

Chairman Russell. In any event you would not propose to alter the present housing regulations to provide housing for those with less than 7 years of service and to those above that?

Secretary McNamara. That is correct, Mr. Chairman.

I should add, Mr. Chairman, this statement I just made applies to determination of housing requirements. It, of course, does not apply to the assignment of housing which is on a completely different basis.

Chairman Russell. Do you approve of the provision in the House bill that makes this modest increase of about 8 percent for the lower enlisted grades E–1 through E–4 under 4 years of service?

Secretary McNamara. Mr. Chairman, we did not recommend that. That costs about $12 million per year. I think it is contrary to the rationale that supports the entire quarters allowance program. It is not our purpose to encourage personnel in these grades to assume the responsibilities of dependents or to give them half a loaf toward that responsibility. It was for those reasons that we did not recommend an increase of the character proposed by the House.

However, the change is but a small change, it is only 8 percent, far less than we believe necessary and far less than we are proposing for the higher enlisted grades and the officer ranks and, therefore, we will support that.

Chairman Russell. Now, Mr. Secretary, I want to return just for one more question about the change that makes the Dependents' Assistance Act permanent law. We have from time to time continued this act along with the extension of the Selective Service Act. I have forgotten just how many times we have extended it from 1950, but it has been about every 4 years. You wouldn't have any objection to retaining this Dependents' Assistance Act on a temporary basis, would you, and extending it along with the other law?

Secretary McNamara. I would have no objection to that, Mr. Chairman. That is initially what we proposed.

Chairman Russell. Senator Smith.

Senator Smith. I have no questions, Mr. Chairman.

Chairman Russell. Senator Symington?

Senator Symington. Mr. Chairman, the Secretary says he considers adequate housing for service families to be of vital importance in our efforts to make military careers sufficiently rewarding to enable us to attract and retain high caliber personnel in both the officer and enlisted rank structure.

That seems to make sense to me. If this is the analysis and recommendation of the Secretary, to attain that goal, I would be for it.

I have no further comments.

Chairman Russell. Senator Jackson?

Senator Jackson. Mr. Secretary, isn't one of the real problems in this housing allowance matter the question that you raised in your statement, that of regional variation in housing expenses? I take it that you might give some serious consideration to that approach, if there was available statistical information to make possible an equitable formula.

Secretary McNamara. Yes, I would have, Senator Jackson. As a matter of fact, we set that down as one of our objectives, but we weren't able to achieve it because of the lack of reliable regional indexes.

Senator Jackson. One of the problems, of course, in officers and enlisted personnel being assigned to certain areas, are high rental costs, and yet we are not able to effectively attack it here, it seems to me.

The discrepancy throughout the country, and assignments overseas must be quite substantial in rental costs.

Secretary McNamara. It is indeed, and I think, therefore, since we found it impossible to take account of that problem within the legislation we are proposing we must pay more attention to it in determining which areas to construct the housing that we hope will be authorized for military construction.

Senator Jackson. That was the next question I was going to ask because it seems to me very relevant to do that very thing, otherwise you get into this particular matter of the treatment of it as compensation.

Secretary McNamara. Yes.

Senator Jackson. And they say, "We don't want to be assigned to so and so because the rental costs are so high that it will cut into what we can make off our allowance for housing quarters."

I must say I don't know the answer to it except to give higher priority for construction, military construction, of houses in those areas that obviously are in a high-cost rental area.

Secretary McNamara. That was exactly our conclusion.

Senator Jackson. That is all, Mr. Chairman.

Chairman Russell. Senator Ervin?

Senator Ervin. No questions.

Chairman Russell. Senator Goldwater?

Senator Goldwater. I have no questions.

Chairman Russell. Senator Cannon.

Senator Cannon. Thank you, Mr. Chairman.

Mr. Secretary, you say in your statement that the graduated allowances are strongly recommended for incentive purposes and yet I

note, for example, here in E–4 to E–5 there is no graduation and I am referring to the dependents who start at $105 in each instance and then again coming up to the E–8 and the E–9 there is no graduation there. If your statement is correct, wouldn't you be better off with a graduation step for each group incentivewise?

Secretary McNamara. We considered that, and I think that, generally speaking, we would have, but those points you mentioned are at the bottom and the top of the portion that we were trying to introduce graduation into, and on the top we are limited by the warrant officers' and officers' allowances above E–9 and on the bottom we are limited by particularly the action the House took to increase the allowances for E–4 dependents, and we, therefore, felt forced to use fewer graduated steps between E–4 and E–9 than we would have liked to.

Senator Cannon. Sort of putting in the squeeze there because of the limiting of the officers' range and the low schedule of the House version.

Secretary McNamara. Yes, you can see it if you will look at this page, and I am showing the Senator a list of allowances by grade starting with E–1 and running up to general officer level, and you will see that at E–4 the House proposal provides $105. We, therefore, couldn't provide E–4 with 7 years—or 4 years' service any less than that.

E–3 is provided $105 also so this is our floor. We can't take less than that. The top is the warrant officer allowance of $120, and the second lieutenant allowance of $110, and that places a lid here that prohibits this from rising above $120 and, therefore, we had only $15 in effect to use for graduation purposes and rather than use five graduated steps we used essentially three.

Senator Cannon. So it is really just a token award rather than a true incentive step?

Secretary McNamara. No, sir. I think it is more than a token award because the percentage increase is very substantial, and varies quite considerably.

If you look at our percentage increases by grade, you will find that the percentage rises sharply with the increase in grades. The graduation particularly for those with three or more dependents is not as great as we would like, but nonetheless the percentage increases varies by grade in accordance with the pattern we hope to achieve.

Senator Cannon. This system is somewhat more simplified now than the old system, is it not, by the elimination of some of the steps?

Secretary McNamara. In effect, the House bill is more simplified than the proposed Defense Department bill by elimination of the steps—yes, but I don't think that is a merit. I still believe that logic is on the side of the original Defense Department proposal but it is a small difference and I am not suggesting that you make any change in the House proposal.

Senator Cannon. Thank you very much, Mr. Chairman.

Chairman Russell. Any further questions?

At this point in the hearing I wish to include in the record two charts prepared by the Department of Defense on the quarters allowance bill and the following statements:

M. Sgt. Charles L. Southern, director, European Division, Air Force Sergeants' Association;

Fred J. Scanlan, national secretary, Fleet Reserve Association;

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Maj. Gen. William H. Harrison, Jr., ARNG, retired, president, National Guard Association of the United States;

Tom Patten, executive director, Naval Enlisted Reserve Association;

Col. John T. Carlton, executive director, Reserve Officers of the United States; and

Capt. F. O. Willenbucher, National Counsel of the Commissioned Officers Association of the Public Health Service and the Association of Commissioned Officers of the Coast and Geodetic Survey.

(The charts and statements referred to follow:)

Estimated number of military personnel on active duty in fiscal year 1963, who will receive quarters allowance, by pay grade and number of dependents—Department of Defense

Pay grade	Title	Total	No dependents	Officers with 1 or more; enlisted, 1 dependent	2 dependents	3 or more
O-10	General					
O-9	Lieutenant general	562	4	558		
O-8	Major general					
O-7	Brigadier general					
O-6	Colonel	9,572	140	9,432		
O-5	Lieutenant colonel	28,674	731	27,943		
O-4	Major	43,062	2,065	40,997		
O-3	Captain	77,535	3,959	73,576		
O-2	1st lieutenant	32,340	4,367	27,973		
O-1	2d lieutenant	19,946	2,514	17,432		
W-4	Chief warrant officer	2,047	46	2,001		
W-3	do	3,760	109	3,651		
W-2	do	4,104	91	4,013		
W-1	Warrant officer	1,440	19	1,421		
	Total, officers	223,042	14,045	208,997		
E-9	Sergeant major	10,096	57	1,396	1,590	7,053
E-8	1st sergeant	29,122	189	4,112	4,616	20,205
E-7	Sergeant, 1st class	88,718	952	14,114	13,904	59,748
E-6	Staff sergeant	188,713	1,519	32,286	30,184	124,724
E-5	Sergeant	294,721	3,132	71,118	57,792	162,679
E-4	Corporal (over 4)	159,040	673	44,076	44,549	69,742
E-4	Corporal (under 4)	65,980	2,495	31,986	16,163	15,336
E-3	Private, 1st class	154,195	3,913	78,457	47,961	23,864
E-2	Private	43,744	1,296	29,062	9,627	3,759
E-1	Recruit	10,572	323	7,396	1,720	1,133
	Total enlisted	1,044,901	14,549	314,003	228,106	488,243
	Grand total	1,267,943				

RESERVE COMPONENTS

Estimated number of reservists on training duty who would and would not receive quarters allowances increase under House bill

	Total for Department of		Full-year basis	
	Average number in 1963 in training	Average number drawing quarters allowance increase under bill	Number not receiving increase under bill	Total cost of increase (thousands)
O-10				
O-9	496	496		$9
O-8				
O-7				
O-6	4,973	4,971	2	101
O-5	20,350	20,349	1	256
O-4	35,059	34,971	88	485
O-3	63,886	63,375	511	964
O-2	53,143	52,327	816	886
O-1	18,467	18,102	365	283
W-4	458	456	2	5
W-3	3,348	3,280	68	45
W-2	8,117	8,110	7	106
W-1	2,449	2,446	3	30
Total officers	210,744	208,883	1,861	3,176
E-9	1,560	1,438	122	35
E-8	7,714	7,154	560	172
E-7	37,593	34,594	2,999	772
E-6	56,624	48,437	8,187	917
E-5	122,564	92,543	30,021	1,449
E-4	200,396	83,427	116,769	1,989.8
E-3	196,094	1,214	194,880	697
E-2	151,172	1,120	150,052	599
E-1	56,569	417	56,152	157
Total enlisted	830,286	270,614	559,742	5,480
Grand total	1,042,030	479,427	561,603	8,656

STATEMENT OF M.SGT. CHARLES L. SOUTHERN, U.S. AIR FORCE

Mr. Chairman, I desire to present my personal feelings regarding the proposed increase of basic allowance for quarters for members of the Military Establishment of the United States (H.R. 11221), which is before your committee. I speak for myself as an individual. I also am a member of the Air Force Sergeants Association, an organization of enlisted people of the U.S. Air Force. I, and we, as members of the Air Force, are vitally interested in speedy enactment of this measure.

I speak as an airman with more than 26 years service in the U.S. Air Force and the Army before that. I speak as a first sergeant of a unit of more than 400 highly trained and skilled technicians, of enlisted men on whom the maintenance and operation of the multimillion-dollar aircraft and weapons systems which are the tools of the present-day Air Force falls. I speak as one who is exceptionally familiar with the problems of my men, who come to their first sergeant with their troubles; who appear before me involuntarily as a result of financial difficulties, engendered by their inability to adequately support their families on their military incomes, even on the barest subsistence level. I speak as one who must somehow help them to find sources of outside income to augment their service income so that they can pay their rent, pay their utilities bills, pay transportation costs to and from work, buy food so that their bodies may be given strength to perform the necessary tasks for performance of the mission of the Air Force.

I have before me young American men in their early twenties, who have exercised their privilege as men and as American citizens, of taking unto themselves a wife; of desiring to continue their names after they are gone, through children. That privilege is denied no other citizen. It is not denied our enlisted people. Through that act of entering into the bonds of matrimony, they have taken upon themselves the burden, as demanded by our modern society and laws, of providing for those wives and those children.

At my own base, Government housing is insufficient for the needs of the service. A vast majority of these young men are not eligible for Government housing, even though it existed, under present law. They are forced, therefore, to seek housing, within their means, on the civilian market. They are thrown into competition for that housing, with their civilian brothers, whose incomes in most cases far, far exceed the income available to them. This is an area where housing needs far outstrip available housing. As a result they are forced to go 20 and even 30 miles from the base to secure shelter for their families. That in turn engenders a requirement for personal transportation, as public transportation to serve their needs is nonexistent.

As a typical example, may I present the case of the husband of my own daughter, who married an airman second class in the Air Force. My son-in-law has completed 2 years of college. He has a bit more than 2 years service in the Air Force. He is 24 years of age. His total take-home pay is $192.20 a month, including all pay and allowances. They live in a small city, approximately 20 miles from the base. No public transportation is available to him. It was necessary for him to buy a secondhand car, so he may reach his duty station. Because of the many alerts necessary today, it is usually a 7-day-a-week trip, sometimes two round trips a day. He is required to carry full-coverage insurance because the car is mortgaged. During a 6-month period on which we kept exact records of expenditures, he required a new battery, two recapped tires, a new fuel pump and a set of spark plugs. His average monthly expenses during this period were as follows:

Rent	$70.00
Utilities, including required telephone	16.20
Automobile payments	51.20
Automobile operation and maintenance	31.50
Automobile insurance (prorated)	12.25
Total	181.15

This $181.15, deducted from the $192.20 take-home pay he receives, leaves $11.05 per month for everything else, including food, clothing, recreation, and welfare.

In my own case, I purchased my home in 1955. My payments were $89.74 per month then. Today they are $105, the increase representing increased taxes.

The people of the armed services need help. They are far overdue help, help which would be given in the bill as passed by the House. Our Representatives in the House realized our problems and realized their responsibilities to us and took action to alleviate the situation to some extent. I plead with you, of the Senate, to also take heed of our plight and help us, your constituents and fellow American citizens.

I feel that even the increases proposed in the House bill fall short of meeting the actual increase in housing costs since our last quarters increase, I realize, however, that enactment of legislation giving us a more substantial increase might be impossible because of overall budgetary limitations. The increase, if enacted into law would be effective as of October 1, 1962. I believe that the many increases given our contemporary civilian employees of the Government, with retroactive dates, in past years might justify an earlier date than that. I respectfully suggest that the effective date be made July 1, 1962, the beginning of the Federal fiscal year, with the hope that a supplemental appropriation may be secured for fiscal year 1962.

The House subcommittee which acted on this bill succinctly expressed their feelings that this act was long overdue; that the present allowance level is a disgrace which must be eliminated. I hope sincerely that the members of your committee will also consider our plight a disgrace, which must be taken care of.

One provision of this bill removes the requirement for our noncommissioned officers to make an involuntary allotment to their wives, and that the wife receive the check. I, personally, have never really objected to this requirement, as before its inception I maintained an allotment to my wife whichy comprised the bulk of my pay and allowances. However I have always felt a sense of resentment at the implication expressed by the law and the requirement, that I, a senior noncommissioned officer, am not deemed worthy of the respect of our legislators of granting me the honor of being the head of my family and therefore responsible for their support. The implication that I am not judged worthy of trust and confidence to so do has always rankled me. I respectfully request that the implied confidence in our noncommissioned officers as expressed by the elimination of this

requirement be supported by your committee and by the Senate. I feel that our services can and will eliminate the pitiful few, who do not fulfill the requirements of society to support their families, by elimination from the noncommissioned officer ranks.

I feel that each and every one of you have the interests of the lowest private in Laos today as much in your minds as the interests of any other American citizen, no matter how highly he may be placed in our American society.

I thank you for this opportunity to express my feelings and the feelings of every other enlisted member of our Armed Forces. You have our loyalty and fealty, as I know we have yours.

STATEMENT OF CAPT. F. O. WILLENBUCHER, U.S. NAVY, RETIRED, NATIONAL COUNSEL OF THE COMMISSIONED OFFICERS ASSOCIATION OF THE PUBLIC HEALTH SERVICE AND THE ASSOCIATION OF COMMISSIONED OFFICERS OF THE COAST AND GEODETIC SURVEY

Hon. RICHARD B. RUSSELL,
Chairman, Senate Committee on Armed Services,
Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The undersigned is national counsel of the Commissioned Officers Association of the Public Health Service and of the Association of Commissioned Officers of the Coast and Geodetic Survey. The Commissioned Officers Association, Public Health Service, consists of approximately 3,000 members, which number includes more than 75 percent of the career active duty personnel of that service, and the Association of Commissioned Officers, Coast and Geodetic Survey, consists of practically all of the career active duty personnel of that service.

This letter is written in connection with the hearings of the committee being held this date on S. 3170 and H.R. 11221, bills to increase the basic allowance for quarters for members of the Uniformed Services.

Both associations wish to express to the committee that their entire membership urges the enactment of this legislation because of the economic necessity to increase the basic allowance for quarters for members of the uniformed services and for the same reasons stated by the Department of Defense in recommending the enactment of this legislation.

Sincerely,

F. O. WILLENBUCHER,
Captain, U.S. Navy, Retired.

STATEMENT OF FRED J. SCANLAN, NATIONAL SECRETARY, FLEET RESERVE ASSOCIATION

Mr. Chairman and distinguished members of the Senate Armed Forces Committee, I appreciate the courtesy which this committee has extended to me, personally, and to the Fleet Reserve Association, in permitting me to appear before you this morning. As you gentlemen know, the Fleet Reserve Association is comprised of more than 50,000 career enlisted personnel of the Navy and Marine Corps. Over half of our members are on active duty. The question of an increase in the basic allowance for quarters for personnel of the Armed Forces is of vital concern to the enlisted personnel. Commissioned officers and warrant officers are covered separately in the military pay bills as they are granted a special allowance for quarters and subsistence, based upon the ranks and grades in which they are serving. The Fleet Reserve Association has long recognized the need for an increase in the basic allowance for quarters for enlisted personnel due to the ever-increasing cost of rentals. While the recommended increase in the basic allowance for quarters averages approximately 18 percent, it is considerably below the creeping cost of rentals over the years.

There has been no increase in the basic allowance for quarters since the passage of the 1952 pay bill, which was effective May 1, 1952. Figures furnished by the Department of Labor have indicated that rentals have steadily increased from a basic figure of 117.9 in 1952 to a new high figure of 144.1 for the period ending in 1961.

The responsible officials in the Department of Defense have indicated that this increase in basic allowance for quarters in long overdue. We of the Fleet Reserve

Association are heartily in agreement with this line of reasoning. We feel that we speak for the vast majority of the career enlisted personnel of the Armed Forces. It is believed that the passage of this bill will have a stimulating morale effect on those enlisted personnel who are struggling to provide adequate living accommodations and the necessities of life for their families.

The Fleet Reserve Association recommends passage of this bill.

STATEMENT OF MAJ. GEN. WILLIAM H. HARRISON, JR., PRESIDENT, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES,
Washington, D.C., June 6, 1962.

Hon. RICHARD B. RUSSELL,
Chairman, Senate Armed Services Committee,
Washington, D.C.

DEAR SENATOR RUSSELL: In behalf of the National Guard Association of the United States I take this opportunity to state our support of H.R. 11221, a bill to amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services and to make permanent the Dependents Assistance Act of 1950, as amended (50 App. U.S.C. 2201 et seq.), and for other purposes.

At the time when this bill was being considered before the Armed Services Committee of the House of Representatives, this association urged that the uniformed services return to the traditional method of paying noncommissioned officers a housing allowance on the same basis as officers are paid; i.e., on a basis of rank and whether or not these individuals have dependents without regard to the number of dependents. We believe that such action will do much to improve the prestige and morale of the noncommissioned officer corps.

Moreover, we urged that the Dependents Assistance Act be made into permanent law and that the distinction between active duty and active duty for training be eliminated insofar as eligiblity for these benefits are concerned. Such action will be helpful in inducing members of the National Guard to attend Active Army and Air Force service schools for the purpose of acquiring the hard-core skills so important to combat readiness and capability. At the same time, recognizing the peculiar status of individuals who enlist in a Reserve component for the purpose of taking the 6 months' active duty training program, we recommended that this class of persons be excluded from the coverage.

We were extremely delighted that the Armed Services Committee of the House of Representatives and the House of Representatives in enacting H.R. 11221 adopted our recommendations. We are convinced that they will go a long way to providing equity between and among the various segments of our uniformed forces.

Accordingly, we urge that H.R. 11221 be favorably considered by the Armed Services Committee of the Senate and that it be enacted into law in essentially its present form.

It would be appreciated if the contents of this communication were made a permanent part of the hearing on this important measure.

Sincerely,

WILLIAM H. HARRISON, Jr.,
Major General, Massachusetts Army, Reserve National Guard, Retired, President.

STATEMENT OF TOM PATTEN, EXECUTIVE DIRECTOR, NAVAL ENLISTED RESERVE ASSOCIATION

Mr. Chairman and distinguished members of this committee, we, in the Naval Enlisted Reserve Association, are most appreciative of this opportunity to present our opinions concerning H.R. 11221.

We, in NERA, request but one condition in this proposed legislation—complete parity for all Reserve enlisted personnel with their regular counterparts. We, as enlisted reservists, have suffered under a quarters allowance disparity for 12 years, that is while we are in a training duty status.

As you are well aware that disparity was caused by our exclusion from the benefits of Public Law 771–81, the Dependents Assistance Act of 1950, originally S. 4071, and yet the mobilization of enlisted reservists was used to justify the

passage of the act. We feel that this committee should provide complete equity for all reservists and not allow such a galling circumstance to reoccur.

The House Armed Services Committee has performed a noble service to enlisted reservists by inclusion of a segment of these same personnel in the increased benefits from this bill in spite of Defense Department opposition. But the principal point of irritation to us, in NERA, is the exclusion of the E–1 through E–3 grades from these benefits while on 2-week training duty tours.

Why these personnel should be excluded is beyond our comprehension. We have been told the reasons are budgetary and that the inclusion of reservists in grades E–4 through E–9 has added a $6 million cost to the proposal (this is a House action). Philosophically speaking this is a case of human values—not dollar values.

The majority of the young men in our Reserve components have been obligated under laws passed by this august body; in example, the Armed Forces Reserve Act, Universal Training Act, and selective service laws. A great majority of these young men—the cream of American youth—has accepted this reserve obligation with its active duty requirements because they would not (in many instances) be deferred by reason of educational or occupational status under present draft regulations so they then become a part of the "obligated segment" of American manpower. Currently this condition exists because of the relatively low draft quotas imposed nationwide, and "deferment curtain" policies.

So thus, in the face of these statements, if only a certain plane of American youth is to be forced into this obligation (Reserve) then most certainly they should be allowed equitable benefits across the board while on active duty whether it be for training or otherwise. Let us not treat them as mere numbers, cost factors or chattels. Let us be humane in our considerations.

Therefore we, in NERA, urge the humble consideration of this committee for equitable legislative treatment in this proposal (H.R. 11221) for all enlisted personnel, Reserve or Regular, on active duty, whether it be for training or otherwise.

Thank you for this privilege.

TOM PATTEN,
Executive Director, Naval Enlisted Reserve Association.

STATEMENT OF COL. JOHN T. CARLTON, EXECUTIVE DIRECTOR OF THE RESERVE OFFICERS OF THE UNITED STATES

Mr. Chairman and members of the committee, we appreciate the opportunity to present our views regarding H.R. 11221, a bill to amend section 302 of the Career Compensation Act of 1949, as amended (37 U.S.C. 252), to increase the basic allowance for quarters of members of the uniformed services.

We concur in and support the provisions of H.R. 11221. The amendments to the Defense Department proposal as contained in this bill are essentially the same as those recommended by this Association during hearings on the bill before Subcommittee No. 1 of the House Armed Services Committee.

The increased allowances are relatively modest in comparison with the actual increases in the cost of living over the last several years. However, in our opinion, the proposed increases will provide an added incentive to the retention of capable officers and enlisted men of the armed services.

We are very much in accord with the action taken by the House in providing an increased allowance for all enlisted men and in placing the basic authority for quarters allowances for noncommissioned and petty officers under the Career Compensation Act and removing it from the Dependents Assistance Act of 1950. This, of course, places them on the same basis as commissioned and warrant officers, and removes the requirement for them to make a direct allotment in order to become eligible for the basic quarters allowance.

The action of the House putting into permanent law the Dependents Assistance Act as it affects enlisted men in pay grades E–1 through E–4 (with less than 4 years service) also strengthens this bill.

In addition, the amendments will allow payment of quarters allowance to Reserve enlisted men of all ranks on short tours of active duty for training. This additional authorization should improve recruitment and retention of enlisted men and noncommissioned officers for Reserve units in all the services.

For the foregoing reasons, we heartily recommend a favorable report on the bill now under consideration by your committee.

(In executive session, on Friday, June 8, the committee voted to report H.R. 11221 with amendments, as covered by S. Rept. 1579.)

RECOMPUTATION OF MILITARY RETIRED PAY

Chairman RUSSELL. Mr. Secretary, you will recall when you were briefing the committee in January, we touched upon the proposal for the recomputation of retired pay, which was a rather vital question before this committee.

At that time or last year, I believe it was, I assured the members of this committee we would have hearings on this question during this year. And, of course, the Secretary of the Department of Defense is logically the first witness.

As the committee will recall, in 1958 the Incentive Pay Act aimed at reconstructing the active duty military pay system, created new officer and enlisted grades for pay purposes, a proficiency pay system, severely cut back the longevity, and granted basic pay increases up to 47 percent.

The original recommendations to Congress from the executive branch did not contemplate any increase whatsoever in the retired pay of military personnel. It was stated that this was on the ground that if you recomputed under the Pay Act of 1958 it would result in very large increases in the upper grades, with little or no increase in the lower grades.

In fact, without a savings clause it would have reduced retired pay of some of our service personnel.

Finally, after the bill had been reported by the House, the executive branch agreed that the fairest approach for those then retired would be a cost-of-living increase to all with the result that a 6-percent increase was granted to all persons retired with the exception of those of three and four star rank who received 16 and 26 percent on the basis that no previous pay grades existed for those ranks.

It is undoubtedly true, as has been often argued, that the 1958 Pay Act adopted the principle that the pay needs for the Active Forces were separate from the needs of retired personnel. Since 1958 legislation has been pending which would permit those being paid under the Career Compensation Act to compute their retired pay in accordance with the 1958 pay scale if they would, receive more retired pay than the 6 percent cost-of-living increase that was incorporated in the 1958 act.

We would like, Mr. Secretary, to have you discuss this issue and give us the views and the recommendations of the Department of Defense on this legislation.

(Bills S. 401 and S. 626 referred to follow:)

[S. 401, 87th Cong., 1st sess.]

A BILL To equalize the pay of retired members of the uniformed services.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, the retired pay, retirement pay, retainer pay, or equivalent pay of members or former members of the uniformed services entitled to such pay on the 31st day of May 1958, who are in receipt of pay under the provisions of the Career Compensation Act of 1949 (Public Law 351, Eighty-first Congress), as amended, shall be based on the pay scales which become effective on June 1, 1958, under the provisions of Public Law 422, Eighty-fifth Congress: *Provided,* That nothing in this Act shall operate to reduce the pay of any member of the uniformed services now on the retired list.

SEC. 2. This Act shall take effect on the first day of the month following the date of its enactment.

[S. 626, 87th Cong., 1st sess.]

A BILL To equalize the pay of retired members of the uniformed services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law except section 6483 of title 10, United States Code, a person entitled to retired pay or retainer pay under the rates of basic pay in effect under the Career Compensation Act of 1949 before June 1, 1958, is entitled to retired pay or retainer pay based on the rates in effect on the effective date of this Act, or the retired pay or retainer pay to which he was entitled on the day before the effective date of this Act, whichever is greater.

SEC. 2. This Act becomes effective on the first day of the month following the month in which it is enacted.

SEC. 3. No person is entitled to any increase in retired pay or retainer pay because of the enactment of this Act for any period before the effective date of this Act.

Secretary McNAMARA. Mr. Chairman, I have no prepared statement on this subject. I can give you my views, however, and they are these.

First, it is my understanding that this legislation was initially presented to the Congress in 1959, and has been considered by both Houses on several occasions since that time.

Proposals before the Congress were pending last January 20, a year ago January 20, when I assumed office. The previous administration had supported the proposals. This administration reviewed them and supported them. I submitted to both Houses a letter supporting the proposals early in 1961.

I participated in discussion of the proposals before each of the Houses on several occasions during 1961, and on several occasions repeated that we supported the proposed legislation.

Early this year, before this committee, the subject was discussed very briefly in connection with the 1963 fiscal year budget that was being presented at that time.

The question arose then, did we still support the proposals, and I stated that at that point we did, although I felt that they were complicated, and that they might become further complicated were we to undertake a complete restudy of military compensation.

Since that time we have started just that study. We presently have a large group, 25 or 30 individuals, spending full time reviewing the entire compensation structure of the military personnel. It is our intention to complete that study during the third quarter of this year. I don't know what it will show but I would be surprised if it didn't lead to legislation affecting both the compensation of active personnel and the compensation of retired personnel, legislation which would be presented early next session.

Therefore, I am inclined to believe that it may be wise to refrain from further action on this matter that has been under consideration by the Congress for 3 years until such time as these major compensation studies now underway are completed.

That I think, Mr. Chairman, represents my opinion.

Chairman RUSSELL. Is that the position of the Department of Defense and executive branch of the Government?

Secretary McNAMARA. Yes, it is.

Chairman RUSSELL. You stated you had no prepared statement on this.

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I wanted to ask you some questions about the effect of the recomputations. Are you prepared to answer any questions on that?

Secretary McNamara. Yes, sir; I am.

Chairman Russell. We have at one time received information from the Department of Defense with respect to the amount of increases which those retired prior to June 1, 1958, would receive under the recomputation bills, and this information indicates that there are about 25,000 senior retired officers who would receive substantial average annual increases ranging from $561 per year for lieutenant colonels O–5 to $4,586 for retired Chiefs of Staff O–10.

Further it appears that about 75,000 lower grade officers and enlisted personnel would receive minor increases. I see that there are about 38,000 in the lower commissioned and enlisted ranks who would receive nothing because the 6-percent increase that they are now receiving would be larger than their recomputed pay. About 45,000 would receive nothing because they are not receiving retired pay under the Career Compensation Act of 1949.

Are those figures in accord with the present computations of the Department of Defense?

Secretary McNamara. Yes, Mr. Chairman, my figures differ very slightly but in no case do they differ by as much as 10 percent, so I would say those are representative.

Chairman Russell. If the recomputation bill were to pass, Mr. Secretary, at this session, do you not think that those who would get nothing because the 1958 cost-of-living increase was larger or who would get nothing because they were retired under the old laws, should also be provided a cost-of-living increase?

As I understand, the figures show that the cost of living has gone up about 4.1 percent since June 1, 1958.

Secretary McNamara. Mr. Chairman, this is one of the problems that leads me to conclude at this late date, after some 36 months of discussion, it would be unwise to make these changes now when we may be facing substantially more extensive changes within a matter of a few months.

I think we would introduce distortions into the structure that we might find difficult to relate to other action later or difficult to correct in relation to that other action at a later date.

There are some groups that you spoke of, in particular, that warrant attention, I believe, if the recomputation legislation were to pass at the present time, and particularly it is that group that you spoke of, the 45,600 officers and enlisted personnel who had retired prior to 1958 under a series of old laws and were given the option of choosing between two retirement scales. Because they chose a particular scale, their retirement compensation has not been adjusted to subsequent pay scales. The recomputation bill, so-called, would not adjust it.

That group of 45,600 includes a large number of men retired because of disabilities; for example, it included others retired for other reasons, and not subject to the law that would be affected by the recomputation provision.

I have examined the reasons why those people were excluded from the adjustments I have referred to, and while those reasons may have been satisfactory at the time, I doubt that they continue to be satisfactory, and it is partial recognition of that, too, that I think it

unwise to proceed with the recomputation bill at this time when we are in the midst of a study covering possible adjustments to all categories of retired personnel.

Chairman RUSSELL. Mr. Secretary, when this matter was discussed, and it has been discussed on three or four occasions in the committee, the subcommittee that had handled the bill, discussed some figures that would apply if this bill were projected into the future.

I believe at the present time the total cost of retired pay is slightly over a billion dollars a year?

Secretary McNAMARA. Yes; I think we calculate it to be $1,059 million in fiscal year 1963

Chairman RUSSELL. A year?

Secretary McNAMARA. Inclusive of this recomputation provision.

Chairman RUSSELL. And in 17 years, from now by July 1, 1979, in the projection submitted by the Department of Defense it indicates there would be more than a million people on the retired list.

If there were no increases whatever in retired pay the annual cost would be $3,400 million in fiscal year 1983. If there is a 6-percent cost-of-living increase every 4 years, the annual cost would be $4,800 million in fiscal year 1983, and if the recomputation bill is enacted, and the same basic pay increases are granted that had been authorized since World War II, the annual cost by fiscal year 1983 would be $7,800 million. Is that in accord with the present figures of the Defense Department?

Secretary McNAMARA. Mr. Chairman, I don't recognize the latter figures, although I have no reason to doubt their validity.

The present costs in fiscal 1963 will be about $1,059 million. My recollection is that by 1972 those will have doubled then to $2 billion, at present rates, and that by 1980 they will have increased by 50 percent again to a total of $3 billion at present rates, and, therefore, if the rates changed as you have hypothesized, I think that the estimates might very well approximate $7 billion.

But I would say in reference to that we are not accounting for our retirement costs properly. We recognize the expenditures as costs following retirement instead of recognizing them as costs at the time the services were rendered.

This is the nature of our Government accounting system. I think it misstates the facts. It can lead to action that is unwise.

The men who have retired have rendered service, it was part of their contract of service that they would receive certain retirement pay, and that contracts cost should have been recognized at the time the service was rendered.

The fact that the retired pay will treble between now and 1980 doesn't lead me to think we should act with respect to retirement pay but rather we should act with respect to that because of the cost which the size of the Military Establishment and if we wish a Military Establishment of our present size, and I believe we do, then we should simply recognize it carries with it certain costs.

We don't recognize it because those costs are never shown in relation to the size of that establishment.

Next year, when we present the budget, I will at least in a footnote indicate, in effect, the unfunded retirement costs associated with the Military Establishments that I am recommending.

Chairman RUSSELL. Do you have anyone in the Department of Defense who can furnish these figures for us?

Secretary McNAMARA. Yes, sir; we do.

Chairman RUSSELL. I wish you would get someone fully equipped to deal with that because it may be very likely that the committee will want to hear the witnesses on that subject.

Secretary McNAMARA. We will be very pleased to do so, Mr. Chairman.

Chairman RUSSELL. Senator Saltonstall?

Senator SALTONSTALL. Mr. Secretary, may I say, first, I apologize for not being here when you first started to testify and, as I told the chairman, I was chairing the Republican conference where there are several differences of opinion which we ironed out satisfactorily. [Laughter.]

Chairman RUSSELL. I must say that I usually have complete faith in the veracity of the senior Senator from Massachusetts, but if he ironed out all the differences in the Republican conference he would be there for the next 5 years. [Laughter.]

Senator SALTONSTALL. Mr. Chairman, may I say to you, Mr. Secretary, if the Democrats were there it would take them at least 10 years to iron out.

Chairman RUSSELL. I didn't claim we would ever possibly iron ours out but you are claiming you did. [Laughter.]

Senator ERVIN. In fact, we are not foolish enough to try to iron out all our differences. [Laughter.]

Chairman RUSSELL. Let's get back to the serious aspects of this.

Senator SALTONSTALL. Mr. Secretary, this is a very difficult subject that we have been working on for a number of years.

Have you read the study committee of the University of Michigan on this subject?

Secretary McNAMARA. I have read parts of it, Senator Saltonstall. I have read particularly those parts that relate to potential adjustments in retired pay.

Senator SALTONSTALL. Now, as to the final conclusion of this committee, I will just read one sentence.

> The committee also concludes that the cost-of-living method of increasing retired pay not only is the most equitable but more closely will achieve the objectives of the retirement system.

Do you agree with that if you have had enough opportunity to study it?

Secretary McNAMARA. I have read that portion of the report, and also I have studied this problem of adjustment of retired pay for a matter of years in connection with other compensation systems.

I don't believe that our Nation as yet has adopted a general approach to this problem, and it is a problem, and will remain one as long as we face the prospects of inflation.

My personal views are, and I say "personal" because I want to withhold any official views until we finish the present compensation study that we have underway, my personal views are that retired pay should be adjusted as price levels change and I believe that view is supported by the University of Michigan study that you referred to.

I think they said that the question is not whether retired pay should be increased but how it should be increased, implying that it should be increased under certain conditions, and the conditions that would lead to increase in my mind are conditions of price level inflation.

If price level inflation occurs, I believe retired pay should be adjusted. I think it is essential it should be adjusted. I think it was in the nature of the contract, at least by implication that it would be adjusted and the question simply becomes one of how it should be adjusted.

I personally lean to adjustment in relation to the magnitude of the price level change.

Again, I think the University of Michigan study supports that conclusion. I don't know that I can find a particular reference, but I think that I am correct in making that statement—yes; it states that the cost-of-living approach is more equitable as a basis for adjusting retired pay to changes in the price level.

These are my personal views. I present them in answer to your question.

I state they are personal only in the sense that, as I suggest, we have a large study underway. There are some 25 people putting full time on it and it will be a matter of 3 or 4 months before we complete it and I don't want to prejudice the conclusions of that study by taking an official position this morning on the general principle of adjustment of retired pay.

Senator SALTONSTALL. It is my understanding, based on studies by our staff, that 83,070 would receive no increase at all under this bill, and 108,412 would receive an increase, but of that 108,412 only 13,391 would receive an annual increase of over a thousand dollars.

I think what disturbs many of us is that the big increases come from the Chief of Staff down through the rank of colonel.

Actually, those are the only ones that will receive an increase of over a thousand dollars, as I have stated, the 13,391 and the balance of the 108,000 approximately, if you use those figures, approximately 95,000 men retired would receive less than a thousand dollars increase a year under this bill.

I think that the great problem that we would have would be to make it as fair as possible in working out this retirement allowance, and I personnaly would hope that we could complete studies so that we could work out an equitable method, because as you say, approximately 83,070 would get no increase under this bill at all, if it is passed in its present form.

Are those figures in accord with yours?

Secretary MCNAMARA. Yes; those figures are exactly the same as I have here in front of me.

Senator SALTONSTALL. Mr. Chairman, I have no further questions.

I hope that the Department of Defense will give us the benefit of their study on this situation, which I think is a very difficult one, in which we can be fair and work out these retirement allowances that the Secretary so well stated as to how rather than as to whether there would be any or not.

Chairman RUSSELL. Senator Stennis?

Senator STENNIS. Mr. Chairman, there were several of us on the subcommittee who worked on the original act in 1958, the original pay increase. As part of the background of this problem that has continued since then, I want to very briefly review just what the committee did run into, the subcommittee, and then the full committee, and the entire Congress, and that was a Career Incentive Act. As the members will recall, that act recommended increased pay for key positions, particularly; it was not a general pay increase.

That was the basis of the act to start with and the original recommendation was that that not apply to retired personnel which the Congress thought was a mistake.

The original recommendation was that it not apply to retired personnel.

Now, as things went along, the Cordiner report finally did recommend that it apply to retired personnel, but the administration at that time originally were opposed to it, and Congress wrote in the provisions with reference to the retired personnel.

In getting into that subject, we were astounded, at least I was, and all of us were tremendously impressed with the figures about the future costs. The figures we thought at first must be a mistake, but they were checked and rechecked, and found to be correct, and we ran into, at the same time, the overall problem of the civil servants' demands that, What are you going to do about them?

So that is when we finally settled that matter on the increase for the retired pay, but if you just put retired pay into that bill to apply as the salaries were increased, a great number there, the figures have already been given, of the so-called lower grade military personnel, the serviceman and the lower grade officer would receive little or no increase at all.

So instead of limiting the relatively few whose salaries were increased, we applied it across the board to all at 6 percent.

Now, that brought in a group affected very adversely, a group of splendid officers, and a few enlisted men, including many who had rendered outstanding service, all of them with good record, of course, and there were no objections to the bill particularly when we passed it, but later developments of these comparisons of figures is what brought it back to us, and very properly brought it back to us.

Now, our subcommittee, and I think the full committee, thought that something had to be done with reference to the future years.

Mr. Secretary, you weren't here then, but that is when we asked the University of Michigan to make this study, and their report is certainly conclusive proof that the committees that select them don't control what they say, because I thought certain that consideration of contributions would—although it might be opposed—would certainly bring some helpful solution if Congress saw fit to adopt it. I never was more surprised, when their report came back, at the way they figured it out. They said it wouldn't help the situation any to have contributions as the civil service have.

So that brings us to our present situation and I didn't know until a few minutes ago, when the Secretary spoke, that he was making this study, this survey as I understand you, Mr. Secretary, which includes the idea of increasing active pay, men on active duty, and personnel on active duty, the matter of disposing of the matter of retirement, and adopting a future policy, is that it?

Secretary McNamara. Yes, sir; it does.

It includes all forms of military compensation.

Senator Stennis. And all the different laws on which these retirements have been had.

Secretary McNamara. That is correct, sir.

Senator Stennis. And are you, or is the administration making a relative study with reference to the civil servants and their situation?

Secretary McNamara. I believe that such a study has been made, and was the foundation for certain of the legislative recommendations submitted by the executive branch to Congress.

Senator Stennis. For the civil service?

Secretary McNamara. Yes; which recommendations are presently being considered by Congress.

Senator Stennis. Well, from the congressional viewpoint, as well as from other viewpoints, it is so directly related, it seems to me, that Congress would be interested in and the administration would be interested, too, in a study of both systems being made, as they relate one to the other and as they compare and as they may develop in the future with reference to this very just claim of all retired people, but it is a problem which has got to be met, as I see it.

You think that this study then will take into consideration and compare so the Congress will have both questions before it at the same time, the civil service and the military?

Secretary McNamara. Yes, sir; it will.

Senator Stennis. I think that would be quite helpful.

Senator Saltonstall. Would the Senator yield?

Senator Stennis. Yes; I would be glad to yield.

Senator Saltonstall. As the chairman of the subcommittee said, I think that disturbs us, Mr. Secretary.

Reflecting the cost of living since June 1, 1958, this bill that is before us will not give any increase to 83,070 men, and that would seem to me not to carry out the general purpose of making it possible to get an increase of cost of living for these people who are retired. I say that to the chairman of the subcommittee because I think that was one of the things which was of great influence.

Senator Stennis. Yes.

Do you wish to comment on that? Do you have a recommendation on this point, Mr. Secretary?

Secretary McNamara. I don't have a recommendation as to what action should be taken with respect to either the 45,000 men retired prior to 1958 under laws not providing for adjustments, nor the 37,000 men retiring prior to 1958 for whom the pay prior to 1958 was higher than post-1958 in their grades, and, therefore, who would not receive any benefit.

I believe, however, that both those groups must be considered and are being considered in this study we have underway at the present time, because each of them is affected by inflation.

Inflation has occurred since their compensation was set, and it would seem to me that there should be some adjustment therefor, if anyone is going to be adjusted for inflationary reasons.

But it becomes an extremely complicated problem, and its relation to the other parts of our compensation structure and I am not prepared at the present time to make any firm recommendation on either one of these groups.

Senator Stennis. I certainly make clear that on this cost-of-living increase, matters have occurred, and I would favor—and quickly favor—going that far at least.

But the concern of this subcommittee, shared by everyone at the time, was these future years of mounting costs, the billions of demands, each future year, on the Treasury. and the accompanying

problem of civil service retirement pay, and that something had to be done.

As I say, I had just a layman's idea that perhaps increased contributions would be the remedy—to let that remedy apply after a certain date, only to the future, of course. Take care of the years, in fact, that it had already happened. I was greatly surprised when the University of Michigan said that wouldn't happen.

Has your staff made a study of the recommendation of the University of Michigan about this possibility of future years—as to whether or not they are right in their conclusion?

Secretary McNamara. Yes, I have also read that portion of the report and I will give you my personal opinion.

Senator Stennis. Yes.

Secretary McNamara. I emphasize again it is personal, because I don't want to prejudge the analysis and conclusions of the personnel I now have working on the total compensation study and I want to be free to change my opinion if they present information I haven't previously considered.

But I completely accept the University of Michigan's conclusion that it would be unwise to support the military retirement compensation structure with a contribution from the military person involved.

That would be in the nature of a pay cut, and I see no reason to assume that the present compensation is too high. As a matter of fact, we start out on our study with a question, "Is it high enough?"

I don't know that the question should be answered yes or no. But I had no reason to believe that the compensation was too high, and a contribution toward retirement is in the nature of a wage cut or compensation cut.

Senator Stennis. That wasn't our idea either to enact it in such a way that it would be equivalent to a pay reduction, that it would go into effect gradually, and for future years, and would eventually take care of this problem.

Secretary McNamara. Then, it can only take one of two forms.

It is either a pay reduction or forced saving, one or the other and in neither case did it seem to me wise to initiate such a plan.

Senator Stennis. Well, the reason they gave, Mr. Secretary, if you will recall, was that the average short years of service would not make the individual contribute enough to really amount to something.

Secretary McNamara. Yes, I accepted their conclusion but I thought their reason was wrong, because as I suggest the contributions can only be either a reduction in compensation or a forced saving, one or the other, and it either is a substitute in part for a Government contribution maintaining retirement pay structure at its present levels in which case it is a wage cut, or alternatively it is a contribution in the form of forced saving leading to a higher retirement benefit but in neither case does it seem wise to me.

Senator Stennis. Well, the committee never did recommend it. We just recommended the study to see what the picture was.

Secretary McNamara. I realize that.

Senator Stennis. And they brought out the picture.

Secretary McNamara. The study is exceedingly helpful because it presents actuarial calculations that were not available to me at least from other sources. I found it invaluable.

Senator STENNIS. I think the matter of meeting the situation with reference to this personnel that is immediately affected could be solved in some way in the broad perspective, leaving out the personal considerations is something which is smaller and could be met.

The big problem is projecting into the future the system, do you not see it that way? What plan are we going to have for the future?

Secretary McNAMARA. Yes.

I think that we need some general principles that we would base retirement compensation on and hold to those general principles over a period of time.

I am not concerned, as I suggested, by the magnitude of the retirement pay as it arises in the future. I think this is to be expected from increasing the size of our Military Establishment and from gradual increases in the compensation of that establishment.

I think it needs to be considered, therefore, as a part of the total problem of the military budget which has been increasing, which this administration recommended be increased very substantially for fiscal 1962 and 1963.

Senator STENNIS. Your immediate recommendation then is that you want to finish your studies?

Secretary McNAMARA. Yes, sir.

Senator STENNIS. With reference to all of the problem?

Secretary McNAMARA. That is correct.

Senator STENNIS. And you are, therefore, withholding any positive recommendation now?

Secretary McNAMARA. That is correct.

Senator STENNIS. Yes.

I believe that is all, Mr. Chairman.

Thank you.

Chairman RUSSELL. I am delighted to know this study will be completed by the end of this year.

You indicated it would be?

Secretary McNAMARA. Yes, sir; I said I hope we would complete it in the third quarter. At least we propose to complete it by the end of the year and to the extent that legislation appears necessary those legislative proposals should be placed before the Congress early next session.

Chairman RUSSELL. I say that particularly with respect to compensation of those who are now in the service. I had that more in mind than the matter of retirement pay. The Federal Government has built up a Frankenstein in Federal employees unions.

We increase civilian pay by almost whatever they ask for in Presidential years, invariably, overriding vetoes even and I don't think the people in the armed services ought to be discriminated against because they are not permitted to have unions.

They ought to have the same opportunity to vote and make their impact on elections as civil employees.

We increased civilian pay, as I recall, about 7.7 percent in 1960 over a veto, but we did not recompute the pay of the retired civil service people in 1960. When they get their crack the Congress may do it.

Senator Smith?

Senator SMITH. Mr. Chairman, Mr. Secretary, in answer to the chairman's question about the cost of this program, you gave a rather

large figure which I gather is the cost of the overall retirement program.

Would you give us the cost, estimated cost, if the Congress approved this recomputation bill that is before us?

Secretary McNamara. Yes, Senator Smith.

It is my understanding that the actuarial estimates indicate a cost of approximately $30 million a year in the near term future, say roughly $30 million for fiscal 1963.

But the proper cost calculation must, of course, take account of the period over which this compensation would be paid to personnel who had retired prior to 1958 and when that is injected into the formula the actuaries estimate that the total cost is on the order of $575 million.

Senator Smith. Of course, that would decrease from year to year, though, with these people dying off.

Secretary McNamara. Yes. It starts roughly at $30 million a year and declines gradually, but the accumulation of all the years during which this particular provision would apply for the personnel who had retired prior to 1958 yields a total cost estimate calculated by the actuaries of $575 million.

Senator Smith. Thank you.

Mr. Secretary, to keep the record straight, I have a couple of questions that I would like you to answer even though you have expressed your views before.

On August 15, in response to my letter of August 10, 1961, you wrote me, and I would like to read the letter, and I would like also to call attention that the date of it is August 15, 1961, some weeks after the Michigan report was issued.

Dear Senator Smith: In reply to your letter of August 10, 1961, concerning S. 401 and S. 626, bills to equalize the pay of retired members of the uniformed services, I wish to assure you that I fully support these proposals as indicated in my letter of June 24, 1961, to Chairman Russell, a copy of which is enclosed.

There is no foundation to the allegation that I unofficially and orally stated to any member of the Senate Committee on Armed Services that I am personally opposed to these bills.

I regret very much such an allegation has been made and wish to reaffirm that this administration supports pending legislation to equalize the retired pay of personnel who retired prior to the effective date of the Military Pay Act of 1958.

Sincerely,

Robert S. McNamara.

I now wish to ask you if you will state your position again as having changed from that?

Secretary McNamara. Yes; surely.

You are quite correct. The letter was addressed to you in response to a letter you wrote to me in which you stated that I had unofficially and orally stated that I was opposed to the bills. I had not made any such statements and the purpose of my letter was to so indicate.

And, as I stated earlier, not only did I then support the recomputation bill as I had earlier that year, but since the date of my letter to to you I have also supported it but I think conditions have changed since that letter was written on August 15, almost a year ago.

The change in several respects, the most important one from my point of view is the current study underway and the light it is beginning to throw on our entire compensation structure both as it relates to active and retired personnel, with the possibility that changes will be recommended in portions of that structure within a matter of

months, and, therefore, the possibility that to act today would be to act without all knowledge and in a way that would compromise or restrict the action to be taken later.

Senator SMITH. Mr. Secretary, that is why I emphasized the dates of your letter to me and the date of the Michigan report. Apparently, in your letter of August 15 which was some 2 months after the Michigan report, you had not changed your mind because of the Michigan report.

Secretary McNAMARA. No. I had not.

As a matter of fact, with all due respect to the University of Michigan, I haven't changed my mind now because of the Michigan report.

I have been working with compensation structures for 20 years, and particularly with those aspects of them relating to retired personnel, and in the period of inflation that this country has had for the past 15 years, post-World War II, 17 years, it has been necessary to consider on many occasions possible changes in the compensation of both active and retired personnel, and my work in those areas rather than the Michigan study has led me to the conclusions that I hold today and express today as my personal views.

They happen to coincide with the conclusions of the Michigan study although, as I suggested earlier, my reasons are quite different in certain respects than those advanced by the University of Michigan.

Senator SMITH. Mr. Secretary, this matter has been considered for over 2 years.

What good would a further study do other than delaying action on this bill before us?

Secretary McNAMARA. I think the problem now is one of linking this action to other actions, and it is difficult to link it when you are not certain what the other actions are going to be, and we can't be certain what those other actions are going to be until we complete this full review of our present compensation structure.

Senator SMITH. Of course, studies and restudies in many cases are delaying tactics and it looks very much as though this was one of those studies.

Secretary McNAMARA. No; I can assure you that is not the case in this instance.

Senator SMITH. Mr. Chairman, in executive session I expect to offer the retired pay equalization amendment to the basic-quarters allowance and ask for a record vote of the committee.

Thank you very much, sir.

Chairman RUSSELL. I am very anxious to get it to a head in some way because for a long time they blamed the distinguished Senator from Mississippi for this bill, but for the last 2 years I have been carrying all the burden.

I want to get the committee now in it. I would be glad to get the Secretary of Defense in it.

Secretary McNAMARA. I think I am in it.

Senator SMITH. I didn't think anyone was to blame but the Senator from Maine. I thought I had carried the full blame on it.

Chairman RUSSELL. You have been getting the accolades from those active in it and I have been getting the brickbats because I haven't had a very active part in it.

Senator Symington?

Senator SYMINGTON. Mr. Secretary, when was the previous retirement pay bill enacted for retired people?

The one before the 1958 bill?

Secretary McNamara. In 1955.

Senator Symington. What is the depreciation in the value of the dollar since 1952, do you happen to know?

Secretary McNamara. It is about—let me use 1947 as a base, I just happen to recall the figure there.

It is about 50 percent since that date if I recall correctly. At least in terms of housing which is one of the major elements of the indices.

Senator Symington. Now, in 1958 we passed a bill increasing the pay of regulars, did we not?

Secretary McNamara. Yes.

In varying degrees. Actually, I think some of the active duty personnel would have received a decrease except for a savings clause, but generally speaking both enlisted and officer ranks were increased.

Senator Symington. So the net was a considerable increase?

Secretary McNamara. The net was a considerable increase.

Senator Symington. At that time we also increased the retired pay of those people who were regulars and would retire in the future, is that right?

Secretary McNamara. Yes; by linking it to their active pay and to the degree that the active pay increased. However, there was a reduction for some future retirements in the lowest commissioned officer and enlisted ranks, but generally speaking the effect of the act was to increase retired pay for persons retiring in the future.

Senator Symington. The net was to increase——

Secretary McNamara. The net was to increase.

Senator Symington (continuing). Was it not?

Secretary McNamara. Yes.

Senator Symington. When the man goes into the military service, he, in effect, gives up the opportunity of making a fortune. He, in effect, dedicates himself to public service, does he not, like a civil servant?

Secretary McNamara. He does, indeed.

Senator Symington. And when he does that, therefore in effect the Government makes a contract with him, doesn't it, giving him certain inducements, telling him what will happen, when he retires, and what his position will be at the time of retirement?

Secretary McNamara. Yes.

Senator Symington. Isn't that generally based on an estimate of what the purchasing power of that retirement amount of money, the standard of living that he will be allowed under that retirement?

Secretary McNamara. Well, in this case, I think that the contract, as you call it, made by the Government with military personnel, is as unclear as the contract made by our commercial enterprises with their personnel.

In neither case is it clear what that contract means in a period of inflation.

Senator Symington. But in civilian life you have an opportunity, if you are good, to really make a lot of money. You never have that opportunity in the military career, do you?

Secretary McNamara. No; and I don't mean to emphasize that point, but simply that the implied contract relating to retired pay is very unclear as to the amount of retired pay or the purchasing power of the retired pay in a period of inflation, and that is true of both the

military contract, if you will, and true of civilian contracts in our society.

Senator SYMINGTON. Well, as the Senator from Maine pointed out, we have been investigating and looking at, and having advice from boards and commissions and committees on this matter for some time.

What worries me is not particularly—what happens about these people in the past? It is what the military in the future may feel, people who are now regulars, about what is going to happen to them when they retire.

You would be the first to agree that the better the management in the Defense Department, the better the Defense Department operates, from the standpoint of maximum return for the taxpayers dollar, would you not?

Secretary McNAMARA. Without question.

Senator SYMINGTON. And you would also agree that people will work in proportion to reward, isn't that a fair statement?

Secretary McNAMARA. Yes.

Senator SYMINGTON. So, if I were a Regular in the Department of Defense today, and saw what happened to the retired people who had been good regulars, and who expected their Government to continue to give them enough to live in reasonable dignity—nobody is talking about anything beyond that—I would wonder whether it wouldn't be a good idea for me to get out now.

I know that as Secretary of Air over 15 years ago, almost the biggest problem we had after the war were men, including many graduates of the service academies, who did not want to stay in because they had children to educate and mounting expenses. They wanted to get out, even on the retired pay offered at that time.

So we lost many of the best men the Air Force had.

It would seem to me, from a management standpoint, and selfishly, in the interest of the Government, that in order to keep the people you believe can carry out this mission of maximum security at minimum cost, you would want to fulfill the contract with the people of the past, as much from the standpoint of the effect on the people who are working for you now as on the people of the past.

Secretary McNAMARA. Senator Symington, this is exactly the reason why we have undertaken a review of all compensation.

Traditionally, military compensation has not been adjusted as conditions in our society change, and, therefore, the attractiveness of the military career has fluctuated unintentionally because of this failure of adjustments.

I think that is unwise. I think we should lay down some general principles and follow those and not have periods of close to 10 years elapse between major adjustments and military compensation during periods of rapid change in the value of the dollar or other circumstances relating to the military career.

That is exactly why we have this study underway. It is exactly why I feel as strongly as I do on quarters allowance and the need for a 20-percent change in that allowance today.

But the bill we are talking about, in my opinion, doesn't affect the incentive for present personnel on active duty because it doesn't in any way relate to them nor does it in any way affect their retirement pay.

Senator SYMINGTON. But that will affect their concept of what the Government is going to do later on, if there is a further inflation in

the dollar. They themselves might well be left by the wayside, might they not?

Secretary McNamara. No, sir; I don't believe so because this bill isn't related to inflation, and it isn't related to the kind of conditions that very likely will be the foundation for adjustments in retired pay in the future.

It affects only about 30 percent of the personnel who are retired today and about 56 percent of those who were retired in 1958.

Senator Symington. Mr. Secretary, I don't want to be contentious about it, but I have many friends anxious to see this bill pass who say they cannot live properly on what they are getting in the way of retired pay. I believe we have a very heavy charge for veterans now. I think it is the third largest item in the budget, is it not?

Secretary McNamara. It is certainly a large item.

Senator Symington. I believe it is after defense and interest on the debt; pretty close to third anyway.

What worries me, after listening to protagonists for this legislation, is retired personnel feel the Government is letting them down on a contract it had with them. They believe the reason the Government isn't carrying out the contract is because they are not active participants in the military picture at this time.

If I were in the military and became convinced that were true, I would get out. If we pass legislation which gives the Regular an improvement in retired pay, but does not give the retired man a comparable improvement, based on depreciated values, it is only logical for the Regular to think, "Maybe I get it this time in the cycle, but I won't next time."

Doesn't that make sense to you?

Secretary McNamara. I can understand how there could be an uncertainty in the minds of military personnel as to their compensation both while they are on active duty and retired status, because if you examine the changes in that compensation structure over the past 15 years, you find them sporadic and irregular, and, in my opinion, far less frequent than they should have been.

So for that reason, I think there may well be a basic uncertainty in the minds of military personnel. I don't believe that this legislation, whatever its other merits may be, and I felt them sufficient to support it on several occasions, will have any major effect on career incentives.

Senator Symington. Do you feel you are going to come before this committee by the end of the year, or have available to this committee by the end of the year, some legislation in this field which will have a major impact on career incentive?

Secretary McNamara. I hope so, and I hope that the principles that we have laid down as the foundation for the quarters allowance adjustment which we presented to you earlier today will be accepted not only as a foundation for the quarters allowance adjustment which we have specifically asked approval of, but also as a foundation for future quarters allowance adjustments so the Congress doesn't have to wait 10 years for a proposal from the executive branch to adjust military compensation to changing conditions in our society.

The basic principle we have laid down is that quarters allowances should be provided for given levels of military income comparable to the housing expenses of civilians in comparable income positions.

Senator SYMINGTON. You are talking about——

Secretary McNAMARA. If that principle is accepted then as the compensation changes due to inflation in our civilian component there should be a comparable adjustment in military quarters allowance and if it changes every year there ought to be a new quarters allowance every year.

Senator SYMINGTON. That would be a matter primarily of interest to a Regular from the standpoint of his continuing as a Regular, would it not?

Secretary McNAMARA. Yes; but it is one of the elements of compensation that affect the attractiveness of a military career, and illustrates the principle of compensation that, if seems to me, we ought to begin to lay down covering all segments of military compensation, retired pay as well as quarters allowance.

Senator SYMINGTON. As I remember it, we had a man who was former Chief of Naval Operations, then former Chairman of the Joint Chiefs, who was caught between this legislation.

I didn't always agree with him, but thought he was one of the finest officers we had. That was Admiral Radford. As I remember it, all the people he served with got considerably more in retired pay than did he under the new law.

It seemed to me that pointed up the problem, especially as he had had a magnificant combat career.

Would you care to comment?

Secretary McNAMARA. Yes.

The discontinuity in series caused by the way in which the pay of personnel who had retired prior to 1958 was affected by the 1958 legislation compared to the pay of personnel who retired post-1958 was absolutely irrational.

I can see no basis whatsoever for supporting that kind of a pay structure, and it was a mistake, in my mind to ever have accepted it at the time.

It caused the situation you have just alluded to.

Senator SYMINGTON. Well, Mr. Secretary, I shall vote for any legislation which gives recognition of depreciation in value to retired people before this new law went in, because I believe that would be in the best interests of the country.

I would hope that, based on your record and capacity for analyzing these problems, you would come up here with something really constructive; so next year we can really get into it from the standpoint of the facts. I hope we get something this year. It is long overdue.

Thank you, Mr. Chairman. I have no further questions or comments.

Chairman RUSSELL. Senator Jackson.

Senator JACKSON. Just two or three questions, Mr. Chairman.

I think we can all agree the underlying question here is the question of inflation.

The next question of course, is how do you really deal with that kind of situation so far as the retired officer is concerned.

There are two approaches; there are others, I suppose, but two come immediately to mind.

One is to pass special legislation from time to time to provide for an increase based on a cost of living.

The other is the historic concept of tying it to an active-duty pay.

Aren't those essentially the issues here as I see them? And I think what concerns the average retired officer is the chance of getting fair treatment in dealing with the problem of inflation by relying on special legislation from time to time is not as good as being tied to the active-duty pay.

In other words, the chance for adjustments are going to occur with the people on active duty and they want to be hitched to the active-duty people.

This is it in a nutshell, it seems to me.

The other, of course, is what we all go through from time to time, and we get flooded with mail from the civilian retirees asking for, and very properly, in most cases, an adjustment in their retired pay based on increase in the cost of living.

This necessitates passage by the Congress every 2, 3, or 4 years of legislation. I think there ought to be a better way, frankly, of dealing with this situation, than to have to go through this continuous legislative process, and it is continuous.

I am sure if you will look at what has happened since World War II we have passed one bill after another and it may help some, whereas others it may not be as equitably toward.

Here we find ourselves in a situation wherein there is no doubt a lot of other inequities exist in the retired picture because the whole program has been built up like Topsy.

For instance, just to illustrate so that we have both sides of this picture, the point is made that in connection with the recomputation bill most of the increase would go to the higher ranking officer personnel, the flag officers, generals, I believe down to colonels.

The fact of the matter, however, is unless I am wrong, and I want you to correct me, I believe there was no pay increase between 1908 and 1946, as far as flag and general officers are concerned, so they had no recomputation.

Am I right in that?

Secretary McNamara. I can't answer the question.

Senator Jackson. I don't know. I believe that is the case.

Chairman Russell. 1908 to 1946.

Senator Jackson. That is right, flag and general officers.

Chairman Russell. I am surprised to hear that.

Senator Jackson. That is what I was informed. I may be wrong. So there was no recomputation during that period as far as the higher rank personnel.

That is what I am told. We can check it. The increases during that period occurred primarily for the enlisted personnel and lower rank personnel.

So, frankly, it does seem to me that we have to face up to this basic question as to how are you going to reassure your current active duty personnel as well that they will receive equitable treatment after they retire.

I think this is one of the important incentives in career service, knowing from the experience of recent years, this will be one of the things they have to guard against after they are retired.

Secretary McNamara. To the extent that compensation is one of the motivations for service. As pointed out before, it can't be the primary motivation for personnel, for in entering the service they are quite clearly limiting their compensation to far less than they could obtain elsewhere in our economy.

Senator JACKSON. I agree.

Secretary McNAMARA. But to the extent it is a motivation, and to some degree it is, we have a very illogical system of compensation and a system that is almost impossible to predict as it relates to the future and changes and conditions. Therefore, it is an inefficient system in my mind and I hope we can begin to eliminate that inefficiency by providing more certainty as to how it will react under certain conditions.

Senator JACKSON. That is all, Mr. Chairman.

Chairman RUSSELL. Senator Ervin.

Senator ERVIN. As I understand it, you say as far as the theory of the contract is concerned that the facts or rather the legislation which supports that theory, supposed to support that theory, is very nebulous and vague.

Secretary McNAMARA. Yes, sir; I do.

Senator ERVIN. And your present idea is that it would be the better part of wisdom to complete this study and to provide legislation for compensation for military service which would embody general principles that would be used for a long period of, substantial period of time, both for determining the compensation during active service and also compensation in retirement?

Secretary McNAMARA. Yes, sir; I believe that that would lead to a much more efficient compensation system.

Efficient in the sense that it would more effectively motivate both enlisted and officer personnel.

Senator ERVIN. That is all.

Chairman RUSSELL. Senator Goldwater?

Senator GOLDWATER. Mr. Secretary, if my voice sounds a little tired I flew all night to get back here just to visit with you.

I think we are overlooking one more question here and I would like to put it to you, and if you are unable to answer it you can supply the figures for the record.

I think we are looking more at the wagon and not the horse in this case. If I remember correctly we undertook to raise the salaries of the armed services back in 1958 because of the very dangerous situation we faced when we were losing personnel; am I right on that?

Secretary McNAMARA. Or at least not attracting to the services personnel with the skills that were necessary.

Senator GOLDWATER. I can recall that the Air Force alone at that time was having enlisted dropouts of nearly 40 percent. It was costing us millions of dollars.

Do you have any idea what this abnormal dropout rate throughout the service cost us back in the period before 1958?

Secretary McNAMARA. No; I can't tell you anything about pre-1958 costs. I can tell you something, although I don't have the data with me here in this room, about the costs of current dropouts. This is one of the major factors we are studying in relation to possible compensation changes. We are comparing the cost of increasing the compensation to the savings associated with a change in the reenlistment rate and translation of that into the savings associated with reduction in our training costs because we don't have to train a man who reenlists.

Senator GOLDWATER. Do you have any idea of how much money has been saved by the 1958 pay adjustments?

Secretary McNamara. No; I can't answer the question. I think those figures should be maintained in the future. They aren't available now because the change in reenlistment rates, and the savings associated with the changed reenlistment rate have not been part of the permanent statistical basis of the Department.

Senator Goldwater. Have you no way of getting an estimate of those savings?

Secretary McNamara. I think a special study could be developed that could yield them. It would be a very time-consuming study and would—and one I hope we don't have to make, because that is exactly the subject we are studying at present. We have each of the services—the Air Force, by the way, has the greatest amount of available data bearing on this question—we are having each of the services study today the cost savings that would be associated with changes in compensation for various specialities of X, Y, and Z, giving them alternatives, saying if the compensation remains, then if it is changed 5 or 10 or 20 percent, what will be the effect on reenlistment rates and, therefore, what is the saving associated with that increased compensation.

Senator Goldwater. Mr. Secretary, the reason I bring this up is to illustrate the remark about the horse and the wagon is because I have heard a lot of talk here this morning about the rather large sums of money this is going to cost.

Not having the figures available and I was afraid they wouldn't be available, and I hope they are for the future for management reasons, I have a feeling that the increased costs have been more than overbalanced by the savings.

I can't prove that any more than you can disprove it or prove it, if you felt so inclined.

But just through my association throughout the Air Force with commanders who have told me their new reenlistment rates, I feel this expenditure in 1958 made money for the United States. And I wanted to start off with that in mind, as we talk about legislation of some sort to equate the differences that now exist between retirees.

I think that if we adopt a sensible program, I don't say that my bill is the sensible program, but it at least takes a step in that direction, I have a feeling that we can really being to effect savings.

I say that partly as my experience in business, as yours, and you know as I know that we reach a point in business where we were faced with this problem, where the grass was a little greener, and we were losing people we didn't like to lose.

We found on study that it wasn't actually the pay that they got each month.

In fact, interestingly enough, I conducted studies in business where pay falls as low as seventh among 10 items of importance to an employee. Business found that retirement was, I think Ralph Cordiner called it, the silver rung in the ladder, that shiny bar up there that a man can grab hold of as his last act in business, has saved business billions of dollars.

You made the remark that the Nation has not adopted retirement plans to a great extent. They have to a rather large extent. I believe there are close to 60,000.

Secretary McNamara. May I just correct my statement, if I didn't state it properly, or an interpretation or otherwise, I didn't mean to

imply that business or the Nation hasn't adopted retirement plans on a broad basis, but rather that the contract relating to those plans is not at all clear, because almost invariably they contain no provision relating to adjustments in the event of price level changes.

Senator GOLDWATER. That is a good correction that should be made there. But we do have, my last recollection was 58,000 of these retirement plans, and they are working remarkably well in business.

And the whole approach in the Cordiner report as I recall it, to the retirement feature was to provide that little silver rung that a man could look forward to.

No matter if he didn't get above the grade of captain in the officer ranks nor above the lower grades of sergeant in the enlisted ranks, at least there was something to look forward to that he would have when he retired.

And I believe this was the major reason that Cordiner made the suggestion in his report.

Now, you weren't here then, and I would like to get into the record a statement to you that the Senator from Missouri, Senator Symington, and I were together on a bill incorporating the Cordiner concepts. The committee chose their own approach, which was, in effect, the Cordiner concepts, pretty nearly, up until the retirement feature, which they dropped.

I recall the morning of the vote on the floor, and I had prepared an amendment to incorporate the Cordiner recommendations in this field——

Chairman RUSSELL. Senator, I am sure you want to keep the record straight.

Mr. Cordinger disagreed with the recomputation, he opposed it.

Senator GOLDWATER. With recomputation.

I am talking about the retirement features of his report, not recomputation.

Chairman RUSSELL. I see.

Senator GOLDWATER. Senator Stennis came to me on the floor and begged me not to submit this amendment because he was afraid it would pass and if it did pass it would wreck the bill. He told me that there would be hearings held on this subject so the amendment was not offered.

Now, for the second Congress, I have reintroduced this bill and we haven't had hearings yet and I rather share the feelings of the distinguished Senator from Maine that we have become so burdened down with study groups in this town that we may never get to this hearing.

I think the hearing is a very vital thing. I think this morning has been very helpful, but we have not yet exposed this to the full light of open hearings where we can talk it up, talk it down, make suggestions that will correct the inequities, I have become convinced this morning, are in my bill. I didn't realize the extent of them.

So, this is the history of it, and I think that we should move in this field, and I would not be against having hearings this year in anticipation of what report you might have later on.

This, to me, is one of the most important parts of the pay concept, which is the offering to a man who is working either as a military person or as a civilian, something that he can look forward to in retirement.

Now, we may not feel that these things are important. We may feel that so-called fringe benefits don't mean much.

Mr. Secretary, I have had nothing but gripes since your per diem cut went in. I stopped at an airbase in Louisiana at 4 o'clock this morning and I was besieged by enlisted men who were telling me about their difficulties in maintaining a home at home and a home abroad. I mention this to you because I know you have also heard of it. These are the things that the military want.

It isn't a question of raising their pay every year or every 2 years, it is a question of keeping abreast with the little things we can do to make their life better.

As you know, people are not attracted to service by compensation, very rarely. I often ask myself why does a man become a minister, why does a man become a politician, why does a man join the military?

There are better ways of making a living. It is a dedication, and I think the least we can do in the Congress is to recognize that.

Now, this idea of an across-the-line increase because of inflation I am not quite happy with that approach.

I might buy it, but we recognize the inevitability of inflation which I don't think we have to recognize, if we do that. If you look into the pay concept of the congressional staffs you will see this really is an abuse, where we can tell our constituents a rather low sum of what we are spending but when we adjust it down through the years for these cost-of-living increases it gets quite high.

Mr. Chairman, I don't think I have anything else on this. I am very unhappy we haven't had hearings. Even if they produced nothing but a lot of testimony, we could have had something to go on, and as of now we have to wait for a report before we can get anything going.

A Reserve officer in many ways is better off in retirement than a Regular who has served all his life as an airman or soldier or seaman. Reservists when the act was passed back in the 1930's, now enjoy full longevity; while the sums paid him are not great, when you compare it with the few years he has worked at it in his life it is much better than the Regular gets who has devoted his whole life to it.

Mr. Chairman, I might say we have had reports on this bill, and just for the record, on my bill, which is S. 401, we have had reports, favorable reports from the Secretary of the Treasury, and we have had a favorable report from the Secretary of Commerce, we had a favorable report from the General Counsel of the Department of Defense, March 1961, and other letters on the subject.

So, I am very hopeful, Mr. Chairman, that we don't delay with going ahead with hearings in this session of the Congress to the end that we get something done in this field which I have never been convinced and will never be convinced is going to be a costly procedure.

That is all I have.

Senator CANNON (presiding). Mr. Secretary, I have just a few questions.

First, I would like to say that Senator Russell was forced to go because of a meeting with the leadership on the floor at the moment, and expressed his regrets. I am a little confused by these figures that have been used this morning.

Do I understand correctly, Mr. Secretary, that the total of the personnel retired under the old law who did not get the raises that have since been in effect are 45,680?

Secretary McNamara. Yes; that is correct. However, the 45,680 individuals retired under laws in effect prior to October 1, 1949, and their retired pay is not computed under the Career Compensation Act of 1949. They would not be affected by this recomputation proposal. In 1952 this group received a 4-percent increase and in 1955 a 6-percent increase in retired pay. In the Pay Act of 1958 they received the across-the-board, 6-percent increase in retired pay.

Senator Cannon. And of that 45,680 there were 37,390 who got the 6-percent increase?

Secretary McNamara. No; there is where the possible difference is.

Senator Cannon. I wonder if you would explain those figures, please.

Secretary McNamara. Let me start by saying that there is a total of 191,482 who retired before June 1, 1958, and who were then retired, and that breaks into 3 categories of the 191,000, 108,412 would receive an increase under the recomputation legislation, although as Senator Russell pointed out the increase varied substantially and some received much more than others.

But there would be 45,680 who retired under old laws, and who received a 6-percent increase in 1958 and would not receive an increase under the recomputation legislation.

There are 37,390 who also received an increase of 6 percent in 1958, and for whom the 6-percent increase is larger than the increase that would come from relating their ret red pay to the active duty pay as proposed under the recomputation provision, and for that 37,390 therefore, the Recomputation Act would result in a decrease were it not for the exclusion clause incorporated in the Recomputation Act which excludes from the terms of that act personnel for whom the 6-percent would be greater than the recomputed retirement pay increase.

Senator Cannon. So that actually those two groups of persons, then, go together to make up the 83,000?

Secretary McNamara. Exactly.

Senator Cannon. And 70, who would not receive any increase if the bill presently under consideration were enacted?

Secretary McNamara. That is correct.

Senator Cannon. And that would include, for example, in the categories of captain, if I interpret your figures correctly, there would be roughly 17,500 people in the rank of captain, grade O–3, who would get no increase if this present bill went into effect?

Secretary McNamara. Let's see, 17,718, exactly.

Senator Cannon. And in the grade of E–7, sergeant first class, there would be, for example, approximately 13,500 who would get no increase if this present bill were to go into effect.

Secretary McNamara. That is correct.

Senator Cannon. Now, in your study you referred to you have not set a target date, have you?

Secretary McNamara. It is to be the presenting of legislative proposals at the next session should legislative proposals be desirable after the completion of the study.

Senator Cannon. Would you anticipate that the report would be received in sufficient time to be able to present it with your first presentations to Congress?

Secretary McNamara. Yes, I hope to do so.

Senator CANNON. Now, if the present legislation were enacted by the Congress, the present legislation under consideration, are there funds in the budget that is now under consideration out of which these payments could be met or would it require an additional appropriation for that purpose?

Secretary McNAMARA. I believe I am correct in saying it requires an additional appropriation on the appropriation act.

However, in the tables I presented to this committee, in the tables presented earlier this year, I showed this as a separate item and included it in the total figures but the appropriations themselves would have to be supplemented by the amounts required for this purpose.

Senator CANNON. Would you give us an estimate; let's say this bill were passed and, to become effective January 1, what would be the cost of the increase from the balance of the fiscal year, say January 1, 1963, to July 1, 1963?

Secretary McNAMARA. The estimated cost for 12 months in the near term future is about $30 million and, therefore, for 6 months it would approximate, I believe, $15 million.

Senator CANNON. Now, Mr. Secretary, do you believe that passage of this, either of these laws, under consideration, would jeopardize the passage of any legislation you might be prepared to propose on this whole problem of pay adjustments, including pay increases and retirement?

Secretary McNAMARA. No, sir; I don't believe it would jeopardize any such legislation but I believe it might relate in an illogical fashion to some possible provisions of such legislation.

Senator CANNON. For example?

Secretary McNAMARA. The benefits that might be applied or recommended in such legislation for the 83,000 people we talked of, for example, might be quite different from the adjustments that would be provided by the recomputation proposal for the 108,000 people. We really haven't studied these 83,000 people in any substantial detail.

There are included among them individuals who have retired under a variety of disability laws, each of them different, each falling into a separate category and, therefore, each requiring a separate analysis.

Some of them, for example, retired at 75 percent of their active duty pay, as I recall, and for that reason haven't been given certain adjustments.

They were permitted an option to choose either a retention of the 75-percent retirement provision or alternatively accept compensation under another act.

At the time they exercised the option, conditions were different from those of today and, had they the option to exercise over again, they might have chosen a different option which might have led to different compensation.

So each one of these categories must be analyzed by itself. We haven't done that yet. When we do so, we may propose changes there that would be in conflict with changes for other categories proposed today.

Senator CANNON. In other words, there might be inequities emphasized by passage of this act which you are not prepared to comment on?

Secretary McNAMARA. Yes.

Senator CANNON. For example, here a private, an E–2, I see that 445 would get an increase under this bill, amounting to $12 a year or a

dollar a month, which, of course, isn't much of an increase at all as far as any equity is concerned in cost of living; is it?

Secretary McNamara. Yes; and the same thing is true of others involved.

A first lieutenant, O–2, for example, would receive only $49 a year increase. That doesn't seem to me to be a reasonable increase. But I am not certain of the point. It particularly don't seem reasonable in relation to some of the other increases, so these are the questions that are raised by the existence of a massive review of our total compensation structure.

Senator Goldwater. Mr. Chairman, could I ask a question right there?

Senator Cannon. Yes; certainly.

Senator Goldwater. Do you have any idea how many men retire as privates or second lieutenants?

Senator Cannon. The totals are right there.

Secretary McNamara. There are a substantial number of first lieutenants involved; 2,682 to be exact.

Senator Cannon. Retired as first lieutenant, did you say 2,682? My chart here shows some 14,000.

Secretary McNamara. There are 2,682 who would receive this $49.

Senator Cannon. Yes; 2,682 would get an increase of $49.

Secretary McNamara. And approximately 12,000 others who wouldn't get any increase.

Senator Cannon. And 12,000 others who wouldn't get anything.

Secretary McNamara. Of these 12,000 others, 10,000 retired under these laws that are particularly restrictive, primarily for disability.

Senator Cannon. They didn't even get the 6 percent? Or did they get the 6 percent, I will ask you that?

Secretary McNamara. I think that they chose their option and did not receive the 6 percent, but I would like to check on that. I would like to check for the record on that, Mr. Chairman.

Senator Cannon. Will you supply it for the record?

(The following information was subsequently submitted:)

This group of approximately 1,200 first lieutenants, grade O–2, received a 6 percent cost-of-living increase in 1958 along with all other persons who were retired prior to June 1, 1958.

Senator Smith. Mr. Chairman, may I ask a question right there?

Mr. Secretary, we are talking about the figures in that first column and it is my understanding, and I thought I was correct, those people have been retired and if not all, most, of them under the 75-percent disability provision, haven't they? So why are we considering that column at all.

Secretary McNamara. The question is, As a matter of equity should those men be granted an increase? I can't answer the question, but I know the conditions today and the price levels today are quite different from what they were at the time they exercised their option. It is entirely possible that their compensation is out of line, therefore, with compensation of others who have been adjusted or would be adjusted.

Senator Smith. But there is actually no inequity to the people who have already gotten 75 percent of their pay.

Secretary McNamara. I think there is a possibility of a very great inequity.

Senator CANNON. In other words, they are getting 75 percent of pay they were getting at the time they were retired; is that correct?

Secretary McNAMARA. Yes; plus a 4-percent increase in 1952, a 6-percent increase in 1955, and the 6 percent in 1958. This is less than the increase in the price levels from 1949 to 1958. I think they are as much entitled to a price level adjustment as anyone else, even though they retired under old laws. This would cost money, but where equities are involved, I don't believe cost should be the determining factor.

Senator GOLDWATER. Someone has to pay for it.

Secretary McNAMARA. This again is a question of equity, as I say and I think we ought to accept whatever costs are necessary to retain a measure of equity as between personnel on retired status.

Senator CANNON. Senator Smith?

Senator SMITH. Yes; I have a couple of questions, Mr. Chairman.

Mr. Secretary, the law before the 1958 act stated that retired pay would be based on a percentage of the pay the man would receive if he was on active duty. That feature or contract was not changed by the 1958 act.

Do you consider that the Government broke faith with those retired prior to the effective date of 1958 act by barring them from this formula?

Secretary McNAMARA. Senator Smith, I would have to check the provisions of the law prior to 1958.

I didn't recall that the law stated that retired pay would remain a constant, or would continue to have a constant, relationship to active-duty pay as active-duty pay changed subsequent to retirement. I understood that was a practice rather than an action required by law.

I may be wrong in that. I am not familiar in detail with the laws prior to 1958.

Senator SMITH. Would you be good enough to have this checked and give the committee a statement?

Secretary McNAMARA. Yes, I will be very happy to. I studied that law last week and my interpretation is based on that but I would prefer to check it and insert it in the record.

(The following information was subsequently furnished:)

The most recent increases in the basic pay of members of the uniformed services on active duty were provided by the act of May 20, 1958, Public Law 85–422 (72 Stat. 122).

Section 3(a) of this act provided that "Notwithstanding any other provision of law, * * * the changes in rates of basic pay made by this Act do not increase the amount of retired pay * * * to which any person is entitled on the day before the effective date of this Act." Section 4(a) provided those entitled to retired pay on the day before the effective date of the act of May 20, 1958, with a 6 percent increase in their retired pay.

When the act of May 20, 1958, was enacted, there were several provisions of law in effect relating to a substantial number of members and former members of the uniformed services that provided, in effect, that their retired pay would be recomputed to reflect increases in the basic pay of members on active duty. These provisions of law were not repealed by the act of May 20, 1958, and are still "on the books" although section 3(a) of that act prevented their application in the case of the increases provided by that act. These provisions are set forth below.

(1) Footnote to table in section 1401 of title 10, United States Code. This footnote, relating to members of the Armed Forces who are retired for physical disability, provides that retired pay is computed "at rates applicable on date of retirement * * * and adjust[ed] to reflect later changes in applicable permanent rates." This language was not contained in the source

law for this provision, section 402(e) of the Career Compensation Act of 1949 (63 Stat. 818), but was inserted to "reflect the longstanding construction of those provisions dealing with computation of retired pay which do not specifically provide that the member is entitled to compute his retired pay on the basis of the monthly basic pay to which he would be entitled if he were on active duty in his retired grade" (S. Rept. No. 2484, to accompany H.R. 7049, 84th Cong., 2d sess., p. 125).

(2) Footnote 2 to tables in sections 3991 and 8991 of title 10. These footnotes, relating to Army and Air Force officers retired for length of service, provide that retired pay is computed "at rates applicable on date of retirement and adjust[ed] to reflect later changes in applicable permanent rates." Again, this language was not contained in the source laws for these provisions but was inserted to reflect the "long standing construction" referred to in (1) above.

(3) Sections 6325 (a)(2) and (b)(2), 6326(c)(2), 6381(a)(2), 6383(c)(2), 6390(b)(2), 6394(h), 6396(c)(2), 6398(b)(2), 6399 (c)(2), and 6400(b)(2) of title 10. These sections, relating to Navy and Marine Corps members retired for various reasons, including length of service and age, provide that retired pay is computed "at the rate of 2½ percent of the basic pay to which * * * [the member] would be entitled if serving on active duty in the grade in which retired." This is consistent with section 6149 of title 10 which is based upon section 431 of the Officer Personnel Act of 1947 (61 Stat. 881). Section 6149 provides as follows:

"Except for officers whose retired pay is computed under the Pay Readjustment Act of 1942 (56 Stat. 359), the retired pay of each retired officer of the Navy or the Marine Corps shall be computed on the basis of rates of pay provided by law, at the time of his retirement, for officers on the active list. If after the retirement of any such officer the rates of pay for officers on the active list are changed, the retired pay to which the officer is entitled shall be recomputed on the basis of the new rates."

The "longstanding construction" cited in (1) and (2) above refers to an interpretation of the Comptroller General of the United States. The Comptroller General has consistently held that, in the absence of legislative intent to the contrary, permanent changes in the basis of computing the pay of members on active duty are to be reflected in the computation of retired pay (6 Comp. Dec. 182, Sept. 2, 1899; 8 Comp. Dec. 845, June 11, 1902; 13 Comp. Dec. 759, May 7, 1907; 14 Comp. Dec. 914, June 26, 1908; 26 Comp. Dec. 612, Jan. 31, 1920; 26 Comp. Dec. 831, Apr. 15, 1920; 23 Comp. Gen. 52, July 28, 1943; 25 Comp. Gen. 388, Nov. 13, 1945). This is the case even in the absence of provisions of law such as those cited in (1), (2), and (3), above.

There follows a list of the laws after 1900, providing general, permanent increases in the basic pay of members of the uniformed services on active duty and an indication of the application of those increases to retired members and former members.

(1) The act of May 11, 1906, chapter 163 (35 Stat. 106), relating to members of the Army. The permanent increases provided by this act were reflected in the computation of retired pay by virtue of the "longstanding construction" cited above.

(2) The act of May 13, 1908, chapter 166 (35 Stat. 127), relating to members of the Navy. The act specifically provided (35 Stat. 128) that the "pay of all commissioned, warrant and appointed officers and enlisted men of the Navy now on the retired list shall be based on the pay, as herein provided for, of commissioned, warrant and appointed officers and enlisted men of corresponding rank and service on the active list."

(3) The act of June 10, 1922, chapter 212 (42 Stat. 625), relating to members of the uniformed services. Section 17 of that act (42 stat. 632) provided that "on and after July 1, 1922, retired officers and warrant officers shall have their retired pay * * * computed as now authorized by law on the basis of pay provided in this Act." The act of May 8, 1926, chapter 274 (44 Stat. 417), provided that thereafter the retired pay of officers and warrant officers "who were retired on or before June 30, 1922, shall not be less than that provided for * * * officers and warrant officers * * * of equal rank and length of service retired subsequent to that date."

(4) The Pay Readjustment Act of 1942 (56 Stat. 359), relating to members of the uniformed services. Section 15 of the act (56 Stat. 367) specifically provided that retired members "shall have their retired pay * * * computed as now authorized by law on the basis of pay provided in this Act."

(5) The act of June 29, 1946, chapter 523 (60 Stat. 543), relating to members of the uniformed services. Section 5 of the act (60 Stat. 345) specifically provided that the "increases in pay * * * shall be applicable to the * * * retired * * * pay of all persons" covered by the act.

(6) The Career Compensation Act of 1949 (63 Stat. 802), relating to members of the uniformed services. Section 411 of that act (63 Stat. 823) provided a person retired for physical disability before October 1, 1949, with a 5-year period in which to elect: (*a*) To qualify for disability retired pay computed on the basis of the new rates of pay provided by the act but subject to the new standards for disability retirement established by the act; (*b*) to continue to receive the retired pay to which he was entitled on September 30, 1949; or (*c*) to recompute his retired pay on the basis of the new rates of pay provided by the act and his years of active service. Section 511 of the act (63 Stat. 829) provided that other retired members would be entitled to retired pay under (*b*) or (*c*), whichever was the greater.

(7) The act of May 19, 1952, chapter 310 (66 Stat. 79), relating to members of the uniformed services. Section 2(a) of the act (66 Stat. 80) provided that members and former members entitled to retired pay under the rates prescribed in the Career Compensation Act of 1949 would "be entitled to have such pay computed on the rates as prescribed by this act." Section 2(b) provided that members and former members entitled to retired pay under laws in effect before October 1, 1949, would be entitled to a 4-percent increase in their retired pay.

(8) The act of March 31, 1955, chapter 20 (69 Stat. 18), relating to members of the uniformed services. Section 5 of the act (69 Stat. 22) provided that persons entitled to retired pay computed under rates prescribed in the Career Compensation Act of 1949 would "be entitled to have his pay computed at the rates prescribed by [the act]." Section 6 of the act (69 Stat. 23) provided that members and former members entitled to retired pay under laws in effect before October 1, 1949, would be entitled to a 6-percent increase in their retired pay.

(9) The act of May 20, 1958, Public Law 85–422 (72 Stat. 122), relating to members of the uniformed services. This act is discussed in the second paragraph of this statement.

Senator SMITH. If you decided that we were under contract to this group of people, you would think that perhaps we should not prolong the injustice?

Secretary McNAMARA. There is no question in my mind if we are under contract to them we should have taken care of it a long time ago.

I am almost certain what we call a contract is quite ambiguous on this point. I don't believe it could have been anything other than that because for years these factors have been changing, conditions have been changing without leading to any accompanying change in retired pay.

Senator SMITH. Mr. Secretary, I think I understood you correctly in saying that this would cost $30 million a year, and that we do not have that in the budget, did I understand you correctly?

Secretary McNAMARA. Yes; when you say we don't have it in the budget, it was on the budget summary sheet which I discussed with this committee, but I believe I am correct in saying that it is not included in the present appropriation legislation now before the Congress, because there has been no authorization for it as yet.

Senator SMITH. Mr. Secretary, that doesn't seem to be any problem in other transfers, and I have in mind particularly when $66 million was transferred from personnel in the Air Force to make up a deficit in the missile program only last year.

Secretary McNAMARA. I don't believe that the question of the availability of funds is a question affecting this decision. This par-

ticular amount, as I have suggested, has always been included in the totals I have discussed with the Congress for fiscal 1963.

Senator SMITH. You raised the question of the $30 million not being included in the budget, not I, Mr. Secretary.

Senator CANNON. I must say, Senator Smith, I was the one who raised the question. I asked him whether or not it was in there and I think that was in response to my question. I wanted to find out if there was money in the budget to take care of it in the event this legislation was passed.

Senator SMITH. I just want to make sure the record is clear. You don't have any difficulty in transferring money from personnel to other programs if you want to do it.

It isn't a question of coming up to Congress and getting further appropriations.

Thank you, that is all.

Senator CANNON. Senator Goldwater, any further questions?

Thank you very much, Mr. Secretary.

There will be inserted at the end of the record certain charts prepared by the Department of Defense on the retirement matter.

The committee will stand in recess until 2:30 tomorrow.

(Whereupon, at 12:45 p.m., the committee stood in recess, to reconvene at 2:30 p.m., Friday, June 8, 1962.)

CHART 1

EXAMPLES OF INCREASED NON-DISABILITY RETIRED PAY UNDER S. 401 AND S. 626
(RECOMPUTATION FOR PERSONS RETIRED BEFORE 1 JUNE 1958 UNDER CAREER COMPENSATION ACT OF 1949)

Grade (1)	Pay Grade (2)	Years of Service (3)	Retired Pay Before 1 June 1958 (4)		Present Retired Pay For Those Retired Before 1 June 1958 (5)		Percent Increase (6)	Proposed Increased Amount under S. 401 or S. 626 (7)		Percent Increase in Present Pay Under S.401 or S.626 (8)	Combined Increase, 1958 Pay Act and S.401 or S.626 (9)	Percent Increase 1 June 1958 for Complete Recomputation (10)
			Monthly	Annual	Monthly	Annual		Monthly	Annual			
Chief of Staff	0-10	30	$807	$9684	$1015	$12180	26%	$1406	$16872	39%	74%	74%
General	0-10	30	807	9684	1015	12180	26	1275	15300	26	58	58
Lt. General	0- 9	30	807	9684	935	11220	16	1125	13500	20	39	39
Maj. General	0- 8	30	807	9684	856	10272	6	1013	12156	18	26	26
Brig. General	0- 7	30	725	8700	769	9228	6	881	10572	15	22	22
Colonel	0- 6	30	608	7296	645	7740	6	739	8868	15	22	22
Lt. Colonel	0- 5	27	453	5436	480	5760	6	523	6276	9	15	15
Major	0- 4	26	385	4620	408	4896	6	410	4920	0	6	6
Captain	0- 3	25	322	3864	341	4092	6	341	4092	0	6	2
1st.Lieutenant	0- 2	25	258	3096	274	3288	6	274 1/	3288	0	6	-8
2nd Lieutenant	0- 1	27	253	3036	268	3216	6	268 1/	3216	0	6	-16
Warrant W-4	W- 4	27	347	4164	368	4416	6	388	4656	5	12	12
Warrant W-3	W- 3	24	257	3084	272	3264	6	292	3504	7	14	14
Warrant W-2	W- 2	24	233	2796	247	2964	6	264	3168	7	13	13
Warrant W-1	W- 1	24	212	2544	224	2688	6	234	2808	4	10	10
Plat. Sgt.	E- 7	23	184	2208	195	2340	6	201	2412	3	9	9
Staff Sgt.	E- 6	23	166	1992	176	2112	6	176	2112	0	6	1
Sergeant	E- 5	24	155	1860	164	1968	6	164	1968	0	6	-7
Corporal	E- 4	25	137	1644	145	1740	6	145	1740	0	6	-13
PFC	E- 3	25	102	1224	109	1308	6	109	1308	0	6	-14
Private	E- 2	24	80	960	84	1008	6	84	1008	0	6	-19
Private	E- 1	23	61	732	65	780	6	65	780	0	6	-2

1/ For retired personnel in these grades who have completed at least 4 years of active enlisted service the figures would be $281 for Grade 0-2 and $270 for Grade 0-1.

1 June 1962

CHART 2(A)

RECOMPUTATION OF RETIRED PAY

NUMBER RECEIVING OR NOT RECEIVING AN INCREASE IN RETIRED PAY
(NUMBER IN FY 1963)

Retired Pay Grade	Rank	DEPARTMENT OF DEFENSE No Increase: Retired Under Old Laws 1/	6% Increase Was Larger	Number To Receive Increase	Average Annual Increase
0-10	Chief of Staff			11	$4,586
0-10	General	4		39	2,957
0- 9	Lt General	5		139	2,359
0- 8	Maj General	126	1	729	1,928
0- 7	Brig General	200	1	934	1,445
0- 6	Colonel	2,329	1	11,539	1,070
0- 5	Lt Colonel	2,774	1	10,022	561
0- 4	Major	4,875	17	11,516	87
0- 3	Captain	9,945	7,773	2,415	133
0- 2	1st Lieutenant	10,200	1,637	2,682	49
0- 1	2nd Lieutenant	4,170	1,285		
W- 4	Chief WO	3	1	1,333	$ 215
W- 3	Chief WO	12	3	1,688	239
W- 2	Chief WO	2,739	548	5,991	141
W- 1	Warrant Officer	1,101	290	1,743	148
Total Officers		38,483	11,558	50,781	$ 482
E- 7	Sgt 1st Class	4,892	8,706	45,962	$ 130
E- 6	Staff Sgt	758	4,167	6,877	31
E- 5	Sergeant	746	4,851	2,802	31
E- 4	Corporal	522	3,954	1,248	24
E- 3	Private 1st Cl	169	2,780	266	12
E- 2	Private	77	1,248	445	12
E- 1	Recruit	33	126	31	13
Total Enlisted		7,197	25,832	57,631	$ 110
Grand Total		45,680	37,390	108,412	$ 284

1/ And not paid at Career Compensation Act rates

31 May 1962

CHART 2(B)

RECOMPUTATION OF RETIRED PAY

NUMBER RECEIVING OR NOT RECEIVING AN INCREASE IN RETIRED PAY
(NUMBER IN FY 1963)

ARMY

Retired Pay Grade	Rank	No Increase: Retired Under Old Laws 1/	No Increase: 6% Increase Was Larger	Number To Receive Increase	Average Annual Increase
0- 10	Chief of Staff			3	$5,336
0- 10	General	3		20	2,791
0- 9	Lt General	3		44	2,292
0- 8	Maj General	95		331	1,876
0- 7	Brig General	172		571	1,348
0- 6	Colonel	1,921		6,565	1,122
0- 5	Lt Colonel	2,024		5,731	576
0- 4	Major	3,500		5,197	111
0- 3	Captain	7,253	2,729	1,253	142
0- 2	1st Lieutenant	7,278		1,584	35
0- 1	2nd Lieutenant	3,137	483		
W- 4	Chief WO			621	207
W- 3	Chief WO	1		412	237
W- 2	Chief WO	293	92	906	125
W- 1	Warrant Officer	420	75	377	149
	Total Officers	26,100	3,379	23,615	$ 569
E- 7	Sgt 1st Class	1,482	4,817	7,173	$ 122
E- 6	Staff Sgt	490	2,203	2,558	24
E- 5	Sergeant	693	3,044	1,263	2
E- 4	Corporal	498	2,773		
E- 3	Private, 1st Class	146	1,487		
E- 2	Private	72	1,058		
E- 1	Recruit	28	37		
	Total Enlisted	3,409	15,419	10,994	$ 85
	Grand Total	29,509	18,798	34,609	$ 415

1/ And not paid at Career Compensation Act rates

31 May 1962

CHART 2(C)

RECOMPUTATION OF RETIRED PAY

NUMBER RECEIVING OR NOT RECEIVING AN INCREASE IN RETIRED PAY
(NUMBER IN FY 1963)

NAVY

Retired Pay Grade	Rank	No Increase: Retired Under Old Laws 1/	No Increase: 6% Increase Was Larger	Number To Receive Increase	Average Annual Increase
0-10	CNO and CJCS			6	$4,698
0-10	Admiral	1		14	3,123
0- 9	Vice Admiral			66	2,280
0- 8	RAdm (Upper Half)	6	1	243	1,780
0- 7	RAdm (Lower Half)	3	1	177	1,383
0- 6	Captain	204	1	3,207	1,055
0- 5	Commander	497	1	2,145	528
0- 4	Lt Commander	731	12	4,342	62
0- 3	Lieutenant	1,400	3,759	565	120
0- 2	Lieutenant (jg)	1,137	941	466	60
0- 1	Ensign	315	377		
W- 4	Comm WO	3	1	469	197
W- 3	Comm WO	11		850	240
W- 2	Comm WO	2,388	347	4,287	143
W- 1	Warrant Officer	404	121	998	150
	Total Officers	7,100	5,562	17,835	$ 384
E- 7	Ch Petty Officer	3,054	3,129	30,150	$ 130
E- 6	Petty Officer 1st Cl	194	840	3,195	30
E- 5	Petty Officer 2nd Cl	4	924	700	60
E- 4	Petty Officer 3rd Cl	4	747	612	12
E- 3	Seaman	18	933	205	12
E- 2	Seaman Apprentice	3	20	314	12
E- 1	Seaman Recruit		8		
	Total Enlisted	3,277	6,601	35,176	$ 116
	Grand Total	10,377	12,163	53,011	$ 206

1/ And not paid at Career Compensation Act rates.

31 May 1962

CHART 2(D)

RECOMPUTATION OF RETIRED PAY

NUMBER RECEIVING OR NOT RECEIVING AN INCREASE IN RETIRED PAY
(NUMBER IN FY 1963)

MARINE CORPS

Retired Pay Grade	Rank	No Increase: Retired Under Old Laws 1/	No Increase: 6% Increase Was Larger	Number To Receive Increase	Average Annual Increase
0-10	CMC			2	$3.125
0-10	General				
0- 9	Lt General			10	2,762
0- 8	Maj General	1		39	2,030
0- 7	Brig General			52	1,524
0- 6	Colonel			326	986
0- 5	Lt Colonel			326	470
0- 4	Major	97		406	57
0- 3	Captain	185	346	147	96
0- 2	1st Lieutenant	233	222	140	84
0- 1	2nd Lieutenant	65	102		
W- 4	Comm. WO			163	$289
W- 3	Comm. WO		3	273	233
W- 2	Comm. WO	40	109	370	150
W- 1	Warrant Officer	32	51	142	172
	Total Officers	653	833	2,396	$ 378
E- 7	Gunnery Sgt	2	481	2,265	156
E- 6	Staff Sgt		187	420	50
E- 5	Sergeant		155	186	60
E- 4	Corporal		160	297	48
E- 3	Lance Corporal		279	60	12
E- 2	Private, 1st Class		137	130	12
E- 1	Private		60	30	13
	Total Enlisted	2	1,459	3,388	$ 119
	Grand Total	655	2,292	5,784	$ 226

1/ And not paid at Career Compensation Act rates.

31 May 1962

CHART 2(E)

RECOMPUTATION OF RETIRED PAY

NUMBER RECEIVING OR NOT RECEIVING AN INCREASE IN RETIRED PAY
(NUMBER IN FY 1963)

AIR FORCE

Retired Pay Grade	Rank	No Increase: Retired Under Old Laws 1/	No Increase: 6% Increase Was Larger	Number To Receive Increase	Average Annual Increase
0-10	Chief of Staff				
0-10	General			5	$3,154
0- 9	Lt General	2		19	2,581
0- 8	Maj General	24		116	2,439
0- 7	Brig General	25		134	1,906
0- 6	Colonel	204		1,441	887
0- 5	Lt Colonel	253		1,820	568
0- 4	Major	547	5	1,571	88
0- 3	Captain	1,107	939	450	139
0- 2	1st Lieutenant	1,552	474	492	72
0- 1	2nd Lieutenant	653	323		
W- 4	Chief WO			80	234
W- 3	Chief WO			153	253
W- 2	Chief WO	18		428	146
W- 1	Warrant Officer	245	43	226	120
	Total Officers	4,630	1,784	6,935	$ 474
E- 7	Master Sgt.	354	279	6,374	130
E- 6	Tech. Sgt.	74	937	705	46
E- 5	Staff Sgt.	49	728	652	48
E- 4	Airman, 1st Class	20	274	342	25
E- 3	Airman, 2nd Class	5	81		
E- 2	Airman, 3rd Class	2	33		
E- 1	Airman Basic	5	21		
		509	2,353	8,073	$ 112
	Total Enlisted				
	Grand Total	5,139	4,137	15,008	$ 279

1/ And not paid at Career Compensation Act rates

31 May 1962

CHART 3

NUMBER OF PERSONS IN FY 1961 AND MONTHLY AMOUNT OF INCREASE IN RETIRED PAY UNDER HR 11318
ALL RETIREMENTS PRIOR TO 1 JUNE 1958 PAID UNDER THE CAREER COMPENSATION ACT AND EXCLUDING THOSE PAID UNDER THE OLD LAWS

For Each Retired Pay Grade: Line a = Number of Persons; Line b = Monthly Amount of Increase Per Person 1/ 2/

Retired Pay Grade		YEARS OF SERVICE: Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 21	Over 22	Over 23	Over 24	Over 25	Over 26	Over 27	Over 28	Over 29	Over 30	TOTAL: Receiving Increase	Not Receiving Increase
C/S Line	a																						11	11	
	b																						$391.47		
0-10	a																						41	41	
	b																						$260.26		
0-9	a																			2	2	3	119	126	
	b																			$209.78	$217.63	$225.37	$189.80		
0-8	a												1	2	6	3	3	3	3	7	9	20	760	817	
	b												$108.52	$113.93	$151.24	$153.37	$160.12	$166.76	$173.40	$180.14	$186.79	$195.53	$156.72		
0-7	a							1	2	1	1	4	8	5	14	3	9	13	16	28	35	59	931	1,130	
	b							$ 28.06	$ 28.06	$ 56.79	$114.35	$157.46	$147.17	$143.77	$153.52	$157.46	$164.26	$171.15	$140.33	$145.67	$151.10	$156.53	$112.29		
0-6	a			2	10	28	42	39	50	64	71	73	344	211	291	183	336	364	397	492	734	868	8334	12,933	
	b			$ .19	$ .19	$ .19	$ .19	$ .19	$ .19	$ 11.69	$ 60.67	$ 45.64	$ 48.41	$ 52.17	$ 90.14	$ 66.79	$ 69.79	$ 72.71	$102.80	$106.78	$110.68	$114.66	$93.94		
0-5	a		7	32	107	117	107	103	135	142	109	84	581	358	494	398	527	507	605	638	815	723	3588	10,177	
	b		$ .19	$ 1.47	$ 1.47	$ 1.47	$ 1.47	$ 12.98	$ 15.97	$ 19.94	$ 39.19	$ 43.14	$ 51.63	$ 52.57	$ 53.83	$ 55.77	$ 58.20	$ 60.63	$ 41.52	$ 43.13	$ 44.74	$ 46.35	$ 47.96		
0-4	a	6	14	89	276	210	141	105	135	101	83	77	973	715	586	562	537	638	522	603	627	678	3378	11,036	20
	b			$ .17	$ .17	$ 5.88	$ 3.12	$ 4.26	$ 11.98	$ 13.95	$ 27.47	$ 19.94	$ 17.60	$ 18.20	$ 10.05	$ 10.45	$ 10.91	$ 11.37	$ 1.07	$ 1.13	$ 1.13	$ 1.19	$ 1.24		
0-3 3/	a	9	99	247	828	298	184	175	159	148	108	63	638	589	455	398	423	632	327	399	326	236	1451	2,556 3/	6,192
	b		$ .23		$ 10.45	$ 5.80	$ 7.79	$ 9.78	$ 17.51	$ 16.61	$ 7.11														
0-2 3/	a	38	349	780	803	211	68	60	36	24	22	19	168	203	114	108	135	134	78	77	43	35	330	2,143	1,693
	b		$ .19	$ 2.55	$ 8.35	$ 4.56																			
0-1 3/	a	223	380	314	180	46	23	22	18	26	31	22	46	18	25	7	17	12	8	5	7	8	131	1 3/	1,569
	b																								
W-4	a							1				1	46	68	78	68	53	69	100	100	73	62	565	1,284	
	b							$ 5.30				$ 1.93	$ 7.72	$ 8.08	$ 7.60	$ 7.94	$ 8.29	$ 8.64	$ 19.05	$ 19.77	$ 20.49	$ 21.26	$ 24.56		
W-3	a							1	1	4	2	4	347	210	139	115	88	90	69	86	56	60	247	1,519	
	b							$ 17.29	$ 18.23	$ 17.33	$ 20.60	$ 16.14	$ 20.24	$ 21.05	$ 18.44	$ 19.17	$ 19.99	$ 20.84	$ 23.24	$ 24.13	$ 25.06	$ 25.95	$ 14.42		
W-2	a		1	10	24	9	10	22	32	39	39	40	801	871	465	522	503	754	259	315	154	84	501	4,954	501
	b		$ .20	$ .20	$ 5.36	$ 12.70	$ 11.26	$ 9.21	$ 7.75	$ 5.78	$ 7.91	$ 5.86	$ 10.83	$11.13	$ 15.32	$ 15.91	$ 16.61	$ 17.31	$ 7.20	$ 7.49	$ 7.77	$ 8.05			
W-1	a	3	4	8	9	11	24	34	27	34	40	23	221	213	152	126	132	110	51	31	25	14	90	1,156	226
	b				$ 10.78	$ 9.31	$ 5.47	$ 12.79	$ 11.99	$ 12.42	$ 13.40	$10.24	$ 16.88	$ 17.22	$ 9.04	$ 9.34	$ 9.77	$ 10.15							
E-7	a	3	8	18	42	75	162	328	420	482	381	204	19824	9871	6228	4649	3896	3598	1513	1371	876	580	5084	50,186	9,427
	b		$ .20	$ .20	$ 3.50	$ 4.50	$ .74	$ 4.63	$ 6.12	$ 7.10	$10.97	$ 10.10	$ 13.93	$ 14.48	$ 6.08	$ 6.33	$ 6.62	$ 6.88							
E-6	a	6	28	51	172	293	477	554	435	302	184	67	3123	1455	1204	765	671	498	329	292	218	113	1003	7,141	5,099
	b		$ .90	$ .90	$ 10.51	$ 4.40	$ 5.38	$ 4.00	$ 5.01	$ 5.99	$ 4.12	$ .35	$ .33	$ .33											
E-5	a	13	148	242	620	586	605	475	309	184	85	46	1444	712	649	351	365	285	282	214	160	92	759	3,169	5,457
	b		$ 3.67	$ 3.67	$ 6.16	$ 4.28	$ 2.90	$ 9.65	$ 4.89	$ .11															
E-4	a	38	559	678	900	406	277	159	79	46	17	13	480	306	269	138	125	157	140	125	80	57	701	2,543	3,207
	b		$ .67	$ 6.43	$ .29	$1.27																			
E-3	a	289	1109	614	516	181	94	39	17	11	5	3	112	77	66	36	42	46	43	31	17	20	197	516	3,049
	b				$ .25																				
E-2	a	686	464	202	235	77	36	17	12	5	2	1	82	82	54	22	32	24	11	17	6	4	64	666	1,469
	b		$ .29	$ .29																					
E-1	a	127	33	20	33	17	6	5	3	3	2		34	14	19	2	6	4	5		3		1	53	284
	b		$ .16	$ .16																					

1/ The underlined numbers in line a will receive no increase under the recomputation proposal. Some would receive a decrease except for the savings clause.

2/ Dollar amounts for persons with less than 20 years of service are based on an assumed average disability percentage rating of 57%. Those with lower disability ratings would receive less and those with higher ratings, more.

3/ Some of the officers shown as not receiving an increase would receive an increase if they have 4 or more years of active enlisted service. The services estimated that there would be 558 of these. This number is included in the total but not by length of service.

CHART 4(A)

ILLUSTRATIVE EXAMPLES OF MILITARY RETIRED PAY UNDER PAY SCALES SINCE 1942
NON-DISABILITY RETIREMENTS ONLY

			RETIRED PRIOR TO 1 June 1958						
Pay Grade	Rank	Year of Service	1942 Pay Scale	1946 Pay Scale	1949 Pay Scale	1952 Pay Scale	1955 Pay Act	1958 Pay Act	Retired After 31 May 1958
0-10	General	30	-	$550	$716	$744	$807	$1014	$1275
0- 9	Lieutenant General	30	$500	550	716	744	807	935	1125
0- 8	Major General	30	500	550	716	744	807	855	1012
0- 7	Brigadier General	30	375	412	619	644	725	768	881
0- 6	Colonel	30	375	412	523	544	608	644	738
0- 5	Lieutenant Colonel	27	285	314	394	410	452	479	523
0- 4	Major	26	265	291	333	346	385	408	409
0- 3	Captain	25	218	240	276	287	321	341	328
0- 2	1st Lieutenant	25	175	201	218	226	258	273	237
0- 1	2nd Lieutenant	27	163	195	211	220	252	267	211
W- 4	Chief Warrant Officer	27	195	225	304	316	347	368	388
W- 3	Chief Warrant Officer	24	147	176	218	226	256	272	292
W- 2	Chief Warrant Officer	24	136	163	192	199	233	247	264
W- 1	Warrant Officer	24	126	151	170	177	211	224	234
E- 7	Sergeant, 1st Class	23	-	128	160	167	183	194	201
E- 6	Staff Sergeant	23	-	104	143	149	165	175	166
E- 5	Sergeant	24	-	96	136	142	154	163	144
E- 4	Corporal	25	-	87	119	124	136	144	118
E- 3	Private, 1st Class	25	-	78	91	95	102	108	88
E- 2	Private	24	-	67	72	74	79	84	64
E- 1	Recruit	23	-	58	54	56	61	64	60

1 June 1962

CHART 4(B)

ILLUSTRATIVE EXAMPLES OF MILITARY RETIRED PAY UNDER PAY SCALES SINCE 1942
DISABILITY RETIREMENTS @ 75% OF BASIC PAY

RETIRED PRIOR TO 1 JUNE 1958 1/

Pay Grade	Rank	Years of Service	Category	1942 Pay Scale	1946 Pay Scale	1949 Pay Scale	1952 Pay Scale	1955 Pay Act	1958 Pay Act	S. 626 or Retired After 31 May 1958
0-10	General	30	CCA 2/	-	$550	$716	$744	$807	$1014	$1275
			Other	-	550	716	744	789	836	
0- 9	Lieutenant General	30	CCA	$500	550	716	744	807	935	1125
			Other	500	550	716	744	789	836	
0- 8	Major General	30	CCA	500	550	716	744	807	855	1012
			Other	500	550	716	744	789	836	
0- 7	Brigadier General	30	CCA	375	412	619	644	725	768	881
			Other	375	412	619	644	683	724	
0- 6	Colonel	29	CCA	362	398	502	522	585	620	738
			Other	362	398	502	522	553	586	
0- 5	Lieutenant Colonel	15	CCA	273	300	363	377	421	446	472
			Other	273	300	363	377	400	424	
0- 4	Major	11	CCA	215	237	309	322	362	384	390
			Other	215	237	309	322	341	362	
0- 3	Captain	7	CCA	165	189	256	266	304	322	330
			Other	165	189	256	266	282	299	
0- 2	1st Lieutenant	4	CCA	131	157	208	216	251	266	277
			Other	131	157	208	216	229	243	
0- 1	2nd Lieutenant	3	CCA	118	141	171	177	222	235	235
			Other	118	141	171	177	188	199	

1/ Personnel not under the Career Compensation Act were retired prior to 1 October 1949.

2/ Career Compensation Act

CHART 4(C)

ILLUSTRATIVE EXAMPLES OF MILITARY RETIRED PAY UNDER PAY SCALES SINCE 1942 (CONT'D)
DISABILITY RETIREMENTS @ 75% OF BASIC PAY

Pay Grade	Rank	Years of Service	Category	RETIRED PRIOR TO 1 JUNE 1958 1/ 1942 2/ Pay Scale	1946 2/ Pay Scale	1949 Pay Scale	1952 Pay Scale	1955 Pay Act	1958 Pay Act	S. 626 or Retired After 31 May 1958
W- 4	Chief WO	30	CCA	$225	$258	$349	$363	$397	$421	$446
			Other	225	258	349	363	384	408	
W- 3	Chief WO	23	CCA	177	212	272	283	321	340	365
			Other	177	212	272	283	300	318	
W- 2	Chief WO	21	CCA	164	197	229	238	280	297	312
			Other	164	197	229	238	252	267	
W- 1	Warrant Officer	15	CCA	140	168	185	192	235	249	265
			Other	140	168	185	192	204	216	
E- 7	Sergeant, 1st Class	18	CCA			198	206	228	241	255
			Other			198	206	218	231	
E- 6	Staff Sergeant	11	CCA			148	154	175	186	191
			Other			148	154	164	173	
E- 5	Sergeant	8	CCA			126	131	152	161	165
			Other			126	131	139	148	
E- 4	Corporal	4	CCA			99	103	119	127	127
			Other			99	103	109	115	
E- 3	Private, 1st Class	3	CCA			77	80	87	93	93
			Other			77	80	85	90	
E- 2	Private	2	CCA			67	70	76	81	81
			Other			67	70	74	78	
E- 1	Recruit	1	CCA			60	62	66	70	70 3/
			Other			60	62	66	70	

1/ Personnel not under the Career Compensation Act were retired prior to 1 October 1949

2/ Personnel with less than 20 years of service were not eligible for retired pay

3/ $66 for personnel retired after 31 May 1958

CHART 5

INDICES OF BASIC PAY RATES FOR ACTIVE AND RETIRED MILITARY PERSONNEL, 1942 = 100
DEPARTMENT OF DEFENSE

PAY GRADE	ACTIVE DUTY PERSONNEL PAY SCALE					RETIRED, NONDISABILITY PAY SCALE						RETIRED, DISABILITY PAY SCALE					
	1946	1949	1952	1955	1958	1946	1949	1952	1955	1955 + 6% 3/	1958	1946	1949	1952	1955	1955 + 6% 3/	1958
C/S	110	143	149	192	282	110	143	149	162	203	282	110	143	149	162	203	282
O-10	110	143	149	192	255	110	143	149	162	203	255	110	143	149	162	203	255
O-9	110	143	149	176	225	110	143	149	161	187	225	110	143	149	161	187	225
O-8	110	142	147	159	203	110	143	149	161	171	203	110	143	148	161	170	202
O-7	110	160	166	182	235	110	164	171	191	203	235	110	164	170	190	201	234
O-6	110	140	146	163	199	110	140	145	162	172	198	110	140	145	162	172	198
O-5	110	138	143	159	189	110	129	134	148	157	174	110	134	140	153	162	177
O-4	110	145	151	168	189	110	126	131	146	155	158	110	136	142	156	166	170
O-3	113	147	152	172	186	110	125	130	146	154	150	113	146	152	169	179	182
O-2	119	154	161	182	194	115	126	131	149	158	137	119	151	157	181	192	191
O-1	120	144	150	157	158	120	135	140	161	170	135	120	147	153	170	181	173
W-4	115	158	165	181	199	115	157	163	179	190	199	115	156	163	178	189	198
W-3	120	152	158	177	202	120	151	157	177	187	201	120	151	157	177	187	201
W-2	120	144	149	175	193	120	143	149	174	184	193	120	143	149	174	184	192
W-1	120	135	141	171	192	120	136	142	169	180	188	120	136	141	167	177	185
Total, Officers	113	145	151	169	188	111	134	139	156	165	178	113	142	148	166	175	185
E-7	120	145	151	168	187	119	146	152	168	178	187	120	146	151	167	177	184
E-6	119	153	159	179	195	119	157	163	182	193	189	119	153	159	179	189	192
E-5	120	158	164	187	203	120	168	175	190	202	183	120	161	167	188	200	199
E-4	129	162	168	188	198	128	176	183	201	213	175	129	167	173	196	208	202
E-3	136	150	156	166	170	137	161	168	179	189	155	137	156	163	181	192	186
E-2	148	155	161	163	164	149	164	170	180	191	148	149	162	169	177	188	177
E-1	150	161	167	168	168	150	140	145	156	165	155	150	163	170	176	187	178
Total, Enlisted	128	154	160	176	188	120	149	155	171	181	187	123	154	160	178	188	190
Grand Total	124	152	158	174	188	114	140	145	161	171	181	115	145	150	168	178	186
Price Index 1/	119.7	146.1	162.8	164.3	177.2	119.7	146.1	162.8	164.3	177.2	177.2	119.7	146.1	162.8	164.3	177.2	177.2
Wage Index 2/	130.6	169.8	200.0	226.1	258.4	130.6	169.8	200.0	226.1	258.4	258.4	130.6	169.8	200.0	226.1	258.4	258.4

1/ Consumer Price Index, all items, average for year; 1942 = 100
2/ Hourly wage rate index, excluding overtime, for production workers in manufacturing; 1942 = 100
3/ 1955 scale increased by 6% (with additional increases in grades O-9, O-10 and C/S) for CCA personnel retired prior to 1 June 1958

NOTE: The indices of basic pay rates are calculated by applying the successive pay scales to the number of active or retired military personnel as of 30 June 1960. Totals for 1958 include E-8 and E-9, not shown separately above.

15 March 1961