

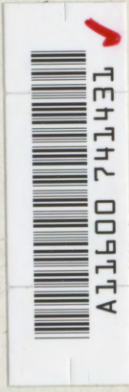
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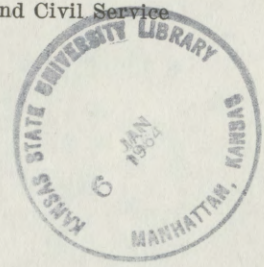
HEARINGS BEFORE THE COMMITTEE ON OFFICE AND CIVIL SERVICE USE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS FIRST SESSION ON

H.R. 2909 and related bills

BILLS TO AMEND THE CIVIL SERVICE RETIREMENT ACT TO
AUTHORIZE THE RETIREMENT OF EMPLOYEES AFTER 30
YEARS OF SERVICE WITHOUT REDUCTION IN ANNUITY

July 25, 31, 1963

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CONTENTS

Statements of—

Addabbo, Hon. Joseph P., a Representative in Congress from the State of New York.....	46
Brady, John G., legislative chairman, National Association of Internal Revenue Employees, accompanied by George Bursach, secretary-treasurer, and John L. Barnes, Sr., national civil service chairman.....	90
Daniels, Hon. Dominick V., a Representative in Congress from the State of New Jersey.....	53
Dorson, C. L., president, Retirement Federation of Civil Service Employees of the U.S. Government.....	84
Fino, Hon. Paul A., a Representative in Congress from the State of New York.....	46
Fulton, Hon. James G., a Representative in Congress from the State of Pennsylvania.....	94
Gibson, Everett G., president, National Federation of Post Office Motor Vehicle Employees.....	94
Gilbert, Hon. Jacob H., a Representative in Congress from the State of New York.....	98
Griner, John F., president, American Federation of Government Employees, accompanied by George Meagher, legislative director, and W. J. Voss, research director.....	64
Halpern, Hon. Seymour, a Member of Congress from the State of New York.....	41
Healey, Hon. James C., a Representative in Congress from the State of New York.....	43
Hosmer, Hon. Craig, a Representative in Congress from the State of California.....	50
Hughes, Phillip, Assistant Director, Legislative Reference, Bureau of the Budget, accompanied by David McAfee, Personnel Management Officer.....	10
Jaspan, Daniel, legislative representative, National Association of Postal Supervisors.....	33
Jordon, Max, president, National Rural Letter Carriers Association, accompanied by John Emeigh, secretary.....	24
Keating, Jerome, president, National Association of Letter Carriers, accompanied by James Rademacher, vice president, and Don Kerlin, legislative liaison director.....	19
Lankford, Hon. Richard E., a Member of Congress from Maryland.....	99
Lasseter, Dillard B., legislative representative, National Association of ASCS County Office Employees.....	49
MacKay, John, president, National Postal Union, accompanied by Walter O. Noreen, executive vice president.....	28
Manbeck, Jesse B., president, Columbia Typographical Union No. 101.....	38
McAvoy, Harold, president, National Association of Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders.....	94
Macy, Hon. John W., Jr., Chairman of the U.S. Civil Service Commission, accompanied by Andrew Ruddock, Director, Bureau of Retirement and Insurance.....	55
McCart, John A., operations director, Government Employees' Council, AFL-CIO.....	85
Messer, Ross A., legislative representative, National Association of Post Office and General Services Maintenance Employees.....	50
Multer, Abraham J., a Representative in Congress from the State of New York.....	47

Statements of—Continued

	Page
Murphy, John J., president, National Customs Service Association--	77
O'Connor, John, legislative director, United Federation of Postal Clerks-----	25
Olsen, Hon. Arnold, Member of Congress from the State of Montana--	3
Owen, Vaux, president, National Federation of Federal Employees--	70
Pelly, Hon. Thomas M., Member of Congress from the State of Washington-----	96
Puskar, Charles, executive secretary-treasurer, National Association of Postmasters, accompanied by Roy North, legislative representa- tive-----	73
Silver, Hon. Eugene, a Representative in Congress from the State of Kentucky-----	45
Simcox, Glenn, president, National Association of Retired Civil Employees, accompanied by George L. Nichols, vice president, National Association of Retired Civil Employees-----	83
Smith, Ashby G., president, National Alliance of Postal Employees--	39
Stoffer, Henry, executive vice president, National League of Post- masters of the United States, accompanied by Paul Kelley-----	81
Warfel, George L., president, National Association of Special Delivery Messengers-----	38

CIVIL SERVICE EMPLOYEES RETIREMENT AFTER 30 YEARS' SERVICE

THURSDAY, JULY 25, 1963

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

The subcommittee met at 10 a.m., pursuant to notice, Hon. James H. Morrison (chairman of the subcommittee) presiding.

Mr. MORRISON. The subcommittee will come to order.

This subcommittee is composed of Congressmen Beckworth, Daniels, Staggers, Nix, Broyhill of Virginia, Wallhauser, Barry, Derwinski, and myself as chairman, and has under consideration H.R. 2909, a bill to grant civil service employees retirement after 30 years' service, introduced by Mr. Olsen of Montana, a member of our committee, and 18 related bills, introduced by other Members of Congress, including H.R. 2477, introduced by Congressman Daniels, a member of our subcommittee, proposing an adjustment in the Civil Service Retirement Act providing for retirement of Federal employees with full benefits after 30 years of service.

(H.R. 2909 and H.R. 2477 follow:)

[H.R. 2909, 88th Cong., 1st sess.]

A BILL To grant civil service employees retirement after thirty years' service

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all civil service employees of the United States Government may retire after thirty years of service, regardless of their age, and when so doing shall receive full retirement benefits.

[H.R. 2477, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act to authorize the retirement of employees after thirty years of service without reduction in annuity

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 6(a) of the Civil Service Retirement Act (5 U.S.C. 2256(a)) is amended to read as follows:

"(a) Any employee who completes thirty years of service shall, upon separation from the service, be paid an annuity computed as provided in section 9."

SEC. 2. (a) Section 6(b) of the Civil Service Retirement Act (5 U.S.C. 2256(b)) is hereby repealed.

(b) Section 9(d) of such Act (5 U.S.C. 2259(d)) is amended by striking out "6(b) or".

SEC. 2. The amendments made by the first section of this Act shall be effective only with respect to persons separated from the service on or after the date of enactment of this Act.

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

Mr. MORRISON. I ask that the record show at this point the names of all Members of Congress who have introduced legislation of this nature so that our hearings will be complete with respect to legislation before the committee relating to this subject matter.

(The list referred to follows:)

BILLS TO PROVIDE FULL ANNUITIES FOR FEDERAL EMPLOYEES AFTER 30 YEARS OF SERVICE

H.R. 327, Mr. Gilbert	H.R. 7382, Mr. Rosenthal
H.R. 718, Mr. Multer	H.R. 7287, Mr. Healey
H.R. 719, Mr. Multer	H.R. 2909, Mr. Olsen of Montana
H.R. 4318, Mr. Halpern	H.R. 2540, Mr. Tollefson
H.R. 1785, Mr. Farbstein	H.R. 2345, Mr. Lankford
H.R. 2013, Mr. Green of Pennsylvania	H.R. 3916, Mr. Addabbo
H.R. 2046, Mr. Pelly	H.R. 124, Mr. Siler
H.R. 2051, Mr. Rogers of Colorado	H.R. 3505, Mr. Fino
H.R. 2477, Mr. Daniels	H.R. 376, Mr. Lesinski
H.R. 2865, Mr. Fulton of Pennsylvania	

Mr. MORRISON. In my judgment, this legislation has merit and should be approved by the Congress. In this enlightened age we should not require our Federal employees to continue on the payroll when it is their desire to retire after having rendered 30 years' service and after having deposited in the retirement fund sufficient funds to enable them to receive retirement benefits.

The persuasive arguments in favor of the enactment of this legislation outweigh the opposition to its enactment. I am certain that the hearings before this subcommittee will develop all the evidence necessary to support this legislation.

A subcommittee of the Senate Post Office and Civil Service Committee has just completed hearings on this important matter and it is my understanding that it is prepared to approve a bill providing full retirement benefits for Federal employees at age 55 following 30 years of service.

Last year the full Senate Post Office and Civil Service Committee approved similar legislation but there was not sufficient time remaining in the session for the Congress to take final action.

We are pleased this morning to have a number of distinguished witnesses who will present the subcommittee with their views on this legislation, but before we proceed I should like to ask our colleague, Congressman Olsen, author of H.R. 2909, who is a most able and conscientious member of our committee, if he desires to make a statement at this time.

I would also like to state that we are going to probably confine the next two meetings, if we finish the testimony, to these 30-year retirement bills. But after that we will hold additional hearings to take up other matters involving retirement benefits as proposed by various bills referred to our committee.

So this hearing is not necessarily limited to just the 30-year retirement matter.

I would also like to say at this time that I feel that this is most important because we have so many changes in our economy and growth in this country in science and research and automation, that jobs are becoming harder and harder to get. I think the statistics show that thousands and thousands of college graduates are having a difficult time getting jobs. Unemployment has been a problem and

with automation, it is predicted by many experts that it will become even a more serious problem in the future.

So I feel that after 30 years of service a Federal employee should certainly be entitled to retire if he or she chooses.

To go a little further, there are many comparable jobs in private enterprise where employees have optional retirement benefits and can retire even after 20 or 25 years of service. In some places in private industry there is mandatory retirement of under 30 years of service.

Also, I would like to make a point at this time by making a comparison with the Armed Forces. I think their retirement is after 20 years—I want to ask counsel—Am I correct in stating that the Federal employees contribute to their retirement, but does the military contribute to their retirement?

Mr. MOORE. No. That is a noncontributory system.

Mr. MORRISON. Yes. So here we have the military who can retire after 20 years and who don't contribute—and I don't question or quarrel with that in any way, I think that is as it should be. But on the other hand, I think that even though our military people are in very important and vital positions, and certainly are most important to the protection of this country, particularly in wartime and likewise in peacetime. They perform a very important service to this country; nevertheless, the two and a half million civilian Federal employees who operate the biggest business in the world likewise perform a very important function. So, therefore, I certainly can't see why, if you are going to permit military personnel to retire in 20 years, it is not reasonable to grant 30-year retirement privileges to Federal employees.

I think the only opposition to it, perhaps, is the matter of cost, which this committee will go into fully. But I don't believe something that is fair and just, should be sidetracked because of cost. In other words, if it is justified, I think this Government certainly should recognize it and should be able to take care of any additional costs. The Congress should assume its responsibility and do whatever is necessary to take care of the retirement fund in order to accommodate this legislation.

Mr. Olsen, we are glad to have you and will be glad to hear from you at this time.

STATEMENT OF HON. ARNOLD OLSEN, A U.S. REPRESENTATIVE FROM THE FIRST DISTRICT OF THE STATE OF MONTANA

Mr. OLSEN. Thank you very much, Mr. Chairman.

I gather from your remarks that the hearings really aren't necessary for your knowledge on this subject. You are very knowledgeable about retirement, having had such a wealth of experience in the Congress. But I am going to presume on you and the committee to add my 8 minutes' worth just the same.

Mr. MORRISON. We are glad to have you and we certainly appreciate your information.

Mr. WALLHAUSER. I am not as knowledgeable as the chairman, so I would appreciate hearing from you.

Mr. OLSEN. Thank you, Mr. Chairman, Mr. Wallhauser, and gentlemen of the committee. I appreciate very much your scheduling

this prompt hearing and permitting me to testify as your first witness on my bill, H.R. 2909, and similar bills pending before this subcommittee that would permit Federal employees to retire at any age after 30 years of service, without a reduction in their annuities.

I have always felt that the Federal Government, as the Nation's largest employer, should rightfully set the pace in enlightened and progressive personnel practices. At the same time, I also feel that we have accomplished much of which we can be proud in our continuing endeavor to improve the working conditions and compensation of our dedicated work force and to make careers in Federal service more attractive. We now have on the statute books the Federal Salary Reform Act which is generally considered to be the most far-reaching and progressive piece of salary legislation enacted in the last 40 years. Federal employees are now protected by health and life insurance programs that were enacted in recent years and they have a retirement program that compares most favorably with those found in private industry and at other Government levels.

Nevertheless, as an enlightened employer, we must not be content with merely launching these benefits for our employees and permitting them to drift in a sea of neglect and inattention. We must be continually alert to improving them, building on them, and keeping them attuned to constant changes in our economy and our social order.

We already have pending in the Congress numerous bills designed to build further on the fine start we made last year to put the salaries of Federal employees on a more comparable basis with those paid to employees in private industry for the same kind of work. We have legislation pending that will further improve the health benefits program and bills which have already been assigned to this same subcommittee that will grant much needed liberalizations in the employees' life insurance program. H.R. 2909, which you are considering here this morning, is designed to place into effect a much needed reform in the Federal employees' retirement program.

H.R. 2909 does not grant anything new in the way of retirement rights, however. Federal employees today have the right to retire on a reduced annuity at age 55 after completing 30 years of service. My bill will simply eliminate the reduction in annuities for those Federal employees who elect to retire after completing 30 years of service.

It is my sincere belief, Mr. Chairman, that this is a most desirable improvement in the civil service retirement system and it is one long sought by our employees. It is the type of improvement that will not only benefit the employee, but it will also benefit the Government as well by making Government service more attractive and by offering an incentive to employees to round out a full career in its service. I think it is very significant that in the last survey made it was revealed that only 4.4 percent of Federal employees achieve a minimum of 30 years of service.

Mr. Chairman, you will be receiving considerable testimony in support of this legislation from witnesses who are most knowledgeable on this subject and who, I am sure, will fill the record with persuasive arguments in favor of this reform; hence, I will keep my remarks as brief as possible. However, I would like to make several observations which I feel are pertinent.

First, I am not at all persuaded by arguments that have been advanced against the enactment of H.R. 2909 on the grounds that it might result in a wholesale flight from Government service of our most productive employees. An employee today at age 55 with 30 years of service who retires has his annuity decreased by 1 percent for each year that he is under age 60, or a total of 5 percent. If, for example, his annuity is computed at \$3,000 a year, his annuity would be decreased by \$150 a year, or slightly over \$12 a month. I am not convinced that eliminating this 5-percent reduction would be the totally persuasive and deciding factor in favor of such an employee electing to retire under these conditions.

As a matter of fact, I don't think there can be any wholesale retiring of employees under the conditions or retirement or the amounts of retirement, the amounts of the annuities at this time or for any time in the foreseeable future, because the annuities are just not that big. It is the amount of money that a person and the circumstances under which he would retire that might or might not encourage the retirement. Some will be influenced, of course, and to them the no reduction will be an important consideration. But I think we will find that the vast majority of employees reaching age 55 after 30 years of service will continue to be influenced in their retirement plans by other and more important considerations, such as family responsibilities, the desire to continue in a productive career, health, and finances. However, the principle to be established, that he can retire if he so decides after completing 30 years of service without any reduction whatsoever in his annuity, is vitally important. Any employee who dedicates 30 years of faithful service to the Government should have no penalty at all attached to his voluntary retirement at that time.

Most State and local governments today have already adopted this principle that an employee may retire without a reduction in his annuity after specified periods of service, many of which are less than 30 years. As you have pointed out, Mr. Chairman, our military personnel can retire at any age after completing 20 years of service and it is important to remember that this is a noncontributory retirement system, whereas each Federal employee contributes to the civil service retirement fund 6½ percent of his salary.

The 30-year retirement principle is also vitally important as it relates to our partially disabled employees. As you know, an employee can now retire on disability only if he is totally disabled and unable to perform the duties and responsibilities of his position. We have no provision in our retirement system for the partially disabled or for those who are not now able to perform their jobs with full capacity. Enactment of this legislation will permit this type of an employee, after completing 30 years of service, to step down from his Government job on full annuity and to make room for someone younger entering the service.

I anticipate that much will be made here of the cost involved in enactment of H.R. 2909. The Civil Service Commission has stated in their report that the cost could be \$23 million; however, this figure is predicated on an assumption that enactment of the bill would produce 25 percent more early optional retirements than under present law. This anticipates that one out of every four employees who are

eligible will take advantage of the legislation. I feel that this is a most unreasonable assumption as I have already indicated. Since cost is generally the red flag that is waved in the path of most every employee benefit bill coming before the Congress, I certainly urge the members of the subcommittee to pursue this point very carefully with representatives of the Bureau of the Budget and the Civil Service Commission who will testify here. While cost is, of course, important and while we have a continuing obligation to assure the financial solvency of the civil service retirement fund, the final decision on this legislation should be made on the basis of whether or not it is good legislation, whether or not it is a needed improvement in the retirement system, or, quite simply, whether or not it is worth the cost, whatever it might be. I, for one, firmly believe so.

Mr. Chairman, I earnestly urge favorable action by this subcommittee on H.R. 2909.

Thank you very much, Mr. Chairman.

Mr. MORRISON. I have a question or two I would like to ask you.

With these young people in our country—and I am sure they are in your congressional district and State as in every other State in the Union—when they come to you and say “Congressman, why is it that in Federal employment when they have more than 20 years of service they keep their employees on, don’t let them retire, and don’t give the young people a chance?” Then they give you example after example in private industry where they say it is mandatory retirement, they have to retire. And yet you, up here in Congress, are more or less—some of them have said this—like the board of directors for the Federal employees, or for the U.S. Government, as far as employees are concerned, and yet you don’t pay any attention to the younger people or their desire for a job. They say “I want to get into the Government, but I can’t, or haven’t been able to because there are people there that have been in over 20 years, have been in there a long time and it just looks like it is hopeless for me.”

There again you might take the position of telling them, “I think you had better try to get into private enterprise.” Then they come back and say, “Well, you know they are not hiring right now. They have got some laborsaving devices, machines, and they are discharging people, laying them off, retiring them, they are not hiring any right now.”

What is your reaction to that?

Mr. OLSEN. I think early retirement is a must that we must adopt and encourage in the Government employment, because we have to do something, not only our share in taking care of unemployment, but I think we have to take the leadership in showing employers of the Nation what should be done, instead of, as you indicated, in many ways taking a back seat on these things like early retirement.

I have in mind that I would like the committee to develop the figures on how many young people are coming into the labor market every day and how many people are being put out of work by automation every day and just see what a great mass of people are being added to the unemployed ranks every day, and yet we stall on this kind of legislation that would open up positions.

Now there are many, many skills coming out of the colleges every day that could be used in the Government and used well, if we could adopt such legislation as this.

Mr. MORRISON. Whereas military personnel—although they are not the same, are in the same category still they are actually employees of the Government; aren't they?

Mr. OLSEN. Yes. And in the military service we had testimony right here in this room just last week that they have this early retirement in the military because they want to bring the youth into the military, the more able, the newly trained, with the new skills and new methods; they want to bring them into the military and keep the military up at peak efficiency.

I think we ought to borrow some of those ideas and put them into the civilian service of the Government.

Mr. MORRISON. If you consider the military as a category of Federal employment, paid by the U.S. Government, and the fact that wherever financial arrangements are necessary they can be made to take care of them at 20-year retirement, then why should they be put in, you might say, a select category and the Federal employees you might say be discriminated against, when they are not asking for 20-year retirement, but only asking for 30-year retirement, which is a marked difference.

If there is any argument that the military should have more preference than the Federal employees, certainly the military gets it with a 20-year retirement, and the Federal employees would be satisfied with a 30-year retirement.

What is your idea on that?

Mr. OLSEN. I think you have made a fair comparison. Of course they say because the military don't get as high pay during their career they are entitled to this 20-year retirement, entitled to a little better retirement than the civilian service.

I don't take that away from them; I don't criticize that. But I think if it is a good idea to be improving the military service with early retirement, that same good idea would pertain to the Federal service.

However, I want to say to the committee that here is probably the position of the Bureau of the Budget and the Civil Service Commission, that they think if we make this retirement look too good, that there will be so many early retirements that the plan will become too expensive.

Mr. MORRISON. What is wrong with that? Whether it is attractive or unattractive, if it is right, shouldn't it be done.

Mr. OLSEN. I say if it is right, it is right, and we should adopt it. But I want to say, too, there won't be a great horde of people retiring simply because of this bill. That won't happen until the amount of the retirement, the amount of the annuity becomes attractive. Everybody has a problem. Now if it is just a single man, or a man and his wife facing retirement without the responsibilities of children or grandchildren, they might be attracted to early retirement. But most people are still facing considerable responsibilities and they won't be necessarily attracted by this early retirement to take advantage of it.

But what I say is this early retirement will make it attractive for people to round out a complete Federal service and stay in the Federal service for the whole 30 years, which would be to some advantage to the Federal Government, and would in a large measure justify whatever cost is here.

Mr. MORRISON. It seems to me with our unemployment problems, with automation with young people coming up needing jobs, getting to the age where they are certainly out seeking jobs and in our fast moving economy in this fast moving world of ours, with scientific research and development, that we have a problem here. If we solve it and go ahead with this bill, we will be doing something affirmative and something direct to help solve the mounting unemployment problem.

Now on the other hand, if we say, well, I don't know, the cost is so great, we had better wait, we had better put that off until next year or the next year, it just seems to me that the Federal employees will be always lagging behind.

In other words, according to a report that came out some years ago, it said the Federal employees were, I believe, 20 percent behind in pay compared with private enterprise jobs. Private enterprise provided group hospitalization insurance long before Congress saw fit to provide it for the Federal employees, and the same thing existed with respect to life insurance programs.

I want to get your opinion on this. It looks to me like we always are a little late. And I think we are late on this. So why keep on being behind, and permitting the unemployment, as far as the part of it caused by Federal employees not being able to retire earlier, to go on? Why is our tendency been to be behind in these reforms.

Why can't we act sooner and why don't we act sooner?

Mr. OLSEN. I don't know why, but we certainly should act a lot sooner.

Mr. MORRISON. Don't you think this is the crux of the problem that is facing us today?

Mr. OLSEN. Yes. We have a lot of good theories on how to handle Federal employees and we have some good stated policies, but we are very late effecting them. We were, and we are always at least 18 months behind in even figuring out the comparability between Federal employees salaries, for instance, and private salaries. We are always 18 months behind at least in even the computation, never mind making equal comparability effective.

Mr. MORRISON. I know it has been my experience that by the time we get the various opinions and statements from the departments and agencies, about retirement legislation, or about other legislation for Federal employees, we always say well, I don't know, this timing is going to be very serious, it looks like Congress may adjourn before we get a chance. Everything that has happened as far as pay increases, or retirement legislation as well, has always occurred just under the wire, so to speak, before adjournment. A lot of it perhaps Congress might have considered, but it wasn't considered because of adjournment of Congress.

Now it looks like to me that we are not going to have a time element facing us here, because of the fact that we are not going to adjourn much before December, or perhaps in time to get home for Christmas. And we will have another year after this session is over before this 88th Congress is over.

So as I see it, the various opponents and proponents will have ample opportunity—and I certainly want to give them that—to present both sides of the question. And we are in a position now, I think, to face

up to our responsibility and we are going to have the time in which to do it.

Do you agree with that?

Mr. OLSEN. I agree we will have the time and I want to congratulate you, Mr. Chairman, on the position you have taken about being aggressive and going into all of these retirement affairs right now, and let's get them done this year.

I congratulate you on that position.

Mr. MORRISON. In turn I want to certainly compliment you, not only on your bill and your testimony here, but to say that I know of no man of this committee who has been more conscientious or more dedicated to committee duties. As far as your constituents are concerned, I think you carry out their wishes in a most excellent fashion. I know of no man who works harder or more sincerely. Frankly, I am very happy to have had the opportunity to be present here today to hear you testify on your bill, which I think is vitally important. I think your bill beneficially affects 2½ million Federal employees and also a lot of young people coming out of college who are looking for jobs today. I emphasize that this is a very, very vital piece of legislation.

Mr. Wallhauser, do you have any questions?

Mr. WALLHAUSER. Thank you very much, Mr. Chairman. I won't take too much time, because I know other witnesses are waiting.

I do want to compliment the author of the bill for his testimony. As I listen to it, I get the distinct impression that he favors the legislation. I thank him very much for bringing out one point, which is that 4.4 percent of the Federal employees, only 4.4 percent of the Federal employees achieve a minimum of 30 years service. I think that is a very important point that he brought out. I think he has made some good arguments.

I wonder if you would clarify for me, in your statement, where you use the words "some will be influenced," meaning that some will retire earlier than they ordinarily would have. Do you mean a few, many, or what is your opinion when you use the word "some"?

Mr. OLSEN. I think it will be few who will be so influenced, because I think other considerations have more influence on the decision for the retirement.

Mr. WALLHAUSER. I like your closing statement. I think you have thrown down a gauntlet to the committee all right, you have challenged us to check into both sides of the question, so when we do report to the full committee at least we will be fully prepared to answer questions and make the arguments that might be necessary to support our position.

So, Mr. Chairman, I just want to say I agree with you that it has been a great privilege for me to serve on this committee with Mr. Olsen, who, I agree with you, Mr. Chairman, is a dedicated and very able man.

Mr. OLSEN. Thank you, Mr. Wallhauser. Thank you very much.

Mr. MORRISON. Mr. Daniels, I think you likewise introduced a bill on this subject. You weren't here when I made the opening statement, but I mentioned that fact.

Do you have any questions?

Mr. DANIELS. Mr. Chairman, I apologize for not being here at 10 a.m. when this subcommittee met. But my presence was necessary before the Education and Labor Committee of which I am also a member, to be present for the purpose of a quorum.

However, I am happy to see my good friend and colleague here testifying. I want to congratulate him for a very fine presentation. I heard most of his testimony, and I wholeheartedly concur that this is a most desirable improvement in the civil service retirement system, and it is a piece of legislation that our Federal employees have long sought, and which I believe that they deserve.

Because of that feeling, I have cosponsored a similar piece of legislation. My bill is H.R. 2477, and at some future time, Mr. Chairman, I desire an opportunity to testify in favor of that legislation.

I have heard the views expressed by Mr. Olsen, and I agree with him that I do not believe that this bill will cause many of our employees, even after 30 years of service, to retire, because at that time in life they reach the peak of their efficiency, they have family obligations, children who probably desire to go to college and their obligations are of such a nature that if they do possess good health, that instead of retiring at that time, they would desire to continue to work in the Government service and build up a greater annuity for their future.

Mr. MORRISON. But at least they would have the opportunity of being able to retire at that time.

Mr. DANIELS. That is the satisfaction they will have, that feeling of security. And I feel that will be a greater inducement for them to remain in the service, rather than withdraw.

Thank you.

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

The next witness is Hon. Phillip Hughes, Assistant Director, Legislative Reference, Bureau of the Budget.

**STATEMENT OF HON. PHILLIP S. HUGHES, ASSISTANT DIRECTOR
FOR LEGISLATIVE REFERENCE, BUREAU OF THE BUDGET; AC-
COMPANIED BY DAVID McAFEE, PERSONNEL MANAGEMENT
OFFICER**

Mr. HUGHES. First, Mr. Chairman, I would like to express our appreciation for the opportunity to be here to express a point of view somewhat different, as will soon become apparent, from your own and that of Congressman Olsen.

Mr. MORRISON. We are happy to have you and we certainly want to hear your views.

Mr. HUGHES. We will try to do this precisely and forthrightly and we appreciate this opportunity. We oppose these bills for a number of reasons.

First, we believe the objectives of these bills conflict with the two principles which the Salary Reform Act of 1962 established as the basis for fixing the compensation of Federal employees. Section 502 of the act (Public Law 87-793) states in effect that: (a) there shall be equal pay for substantially equal work; and (b) Federal compensation shall be comparable with private enterprise pay for the same levels of work.

Retirement annuities constitute a form of deferred compensation. The principle of equal pay for equal work would require that those who have rendered the same quantity and quality of service during their active careers receive substantially identical annuity benefits. The following example illustrates the inequity inherent in H.R. 2909.

Two employees, Smith and Jones, begin their Federal service on the same day. They qualify for identical positions and throughout their careers receive the same promotions and pay increases. Obviously, both make the same contribution to the retirement system.

Thirty years later both decide to retire. Under these circumstances it would seem equitable and in accord with the principle of equal pay for equal work, that each should receive the same amount of retirement income. If both are the same age, the present system will produce this result.

But suppose Smith is age 60 and Jones is 55. Obviously, Jones, because he is younger, can be expected to live longer than Smith. According to the actual experience under the civil service retirement system, Jones has a life expectancy of 20.24 years while Smith's expectancy is 16.59 years. It follows, therefore, that Jones will receive more monthly annuity checks than will Smith.

Under the present retirement formula, 30 years' service with a high-five average salary of \$6,000 will produce an annuity of \$3,375.

MR. MORRISON. Can I interrupt you there. You just made a distinction there about the life expectancy. What about private enterprise?

In all of those jobs, or many of those jobs, it is my understanding that it doesn't make a lot of difference to them what the life expectancy is; they set a policy and adhere to it, after 20 years or after 25 years, and retire and in some cases they have mandatory retirement.

MR. HUGHES. We deal with this situation somewhat later in my statement, Mr. Chairman. But in general, as we understand it, while early retirements do occur in private industry, generally speaking, there is a straight actuarial deduction to reflect the years' differential in the early retirement; if I make myself clear.

But I have an example a little later that will illustrate that.

MR. MORRISON. How do you reconcile that with the armed services? Their ages are different when they retire after 20 years.

MR. HUGHES. Yes, sir. The military system and some other systems do have a 20-year optional and sometimes mandatory retirement. We regard this as a reflection, really, of the inherent differences between military service and civilian service. And it reflects the "up and out" characteristics of military service, the physical requirements of the military system, which make it essential that, particularly in the enlisted ranks and to a considerable extent in the officer ranks, that young people, people with considerable physical ability and energy, compose the military service.

MR. MORRISON. Then according to your argument, if a person is exceedingly brilliant, and has all of the capabilities, and is employed by the Federal Government at age 16 or 17, he is, according to your theory, to be penalized because he goes to work early in life, as far as his retirement is concerned.

MR. HUGHES. No, sir; we don't believe he should be penalized.

MR. MORRISON. That is what you said when you said that one had a life expectancy of 20 years and another had 16. You weren't worrying

about the individual; you were just worrying about how much it was going to cost the retirement fund.

Mr. HUGHES. No, sir; we are worrying about the equities as among the individuals. As we see it, if the individual started Federal employment at 16, and retired under the proposal, after 30 years of service, this individual would in effect be paid a premium for his early retirement, his retirement at a point—

Mr. MORRISON. Why shouldn't he be, if he were that talented to be needed in the Federal service? I know some young people who are exceptionally talented, who are getting out of college today, and they get an enormous offer and they are very much in the minority, it is true, but they are still human beings, still citizens and still offer a good basis of comparison. They are offered a substantial salary in private industry, but they would rather go into Government. And they have to make a very serious decision as to whether to go in a specialized Government research program or whether to go into private enterprise.

And it is strictly a dollar-and-cents appraisal that they have to make as to whether they would be more happy in Government employment under certain penalties, or in private enterprise, where they would be paid more and get a better retirement benefit.

Mr. HUGHES. We don't believe the retirement privilege is better in private industry, sir.

Mr. MORRISON. The point I am making—it would be in some of these instances I am citing to you—but the point I am making there is this: that by your testimony you are putting a penalty on the person who may be talented and can get a job early in life, because all people are not blessed with the same talents.

And here is another thing, when you figure this in dollars and cents, about the 20 years and the 16 years, you are taking that slide rule approach. There is no telling which of them will outlive the other.

For example, if automobile deaths continue at the rate they have been, one of them could be run over by an automobile a couple of days after he retired or a week after he retired.

I don't see how you can take the human element out and merely say it is dollars and cents, and as far as the human being is concerned.

Mr. HUGHES. We are not trying to take the human element out. We are concerned about equities among employees. We feel the individual who enters the Federal service at age 16 and works 30 years is entitled to the same treatment, perhaps even a little better treatment—which he certainly gets under present law—than would the individual who perhaps entered the service a little later.

On the other hand, we don't think the Federal Government should pay a premium to encourage this individual who entered the service perhaps with special qualifications and who has accumulated 30 years of know-how, we don't think he should be encouraged to leave the Federal service and find employment in private industry if he is a brilliant and energetic individual 45 years old. He has reached the peak of productivity, both for Federal service or private industry.

Mr. MORRISON. Don't you think the choice should be his?

Mr. HUGHES. No, sir; the problem is a different one. We think the Federal Government has a distinct interest in encouraging people of talent and energy to stay in the Federal Government.

Mr. MORRISON. All right. Then you take the position that he shouldn't have the choice. That there should be a certain amount of slavery. At that age he should have to stay in whether he wants to or not. That is a little bordering on the idea of a penal theory, that he would have to stay in, until a certain time.

Mr. WALLHAUSER. Would the gentleman yield for a question?

Mr. MORRISON. Yes.

Mr. WALLHAUSER. Mr. Olsen made the point that only 4.4 percent actually ever reach the age of 60. Do you know what the average age of entry into the Federal Government is?

Mr. HUGHES. I do not, sir. Mr. McAfee believes the age is about 27.

Mr. WALLHAUSER. That is what I always heard, 27. So 30 years of service would bring him to 57 years of age.

Mr. HUGHES. That is correct.

Mr. WALLHAUSER. Therefore, I think we are using examples that are a little unusual here, on an average basis.

Mr. MORRISON. Please proceed with your statement.

Mr. HUGHES. Under the present retirement formula, 30 years' service with a high-five average salary of \$6,000 will produce an annuity of \$3,375.

Mr. Smith's retirement income would be 16.59 times \$3,375, or a total of \$55,990. Since age 60 is the normal retirement age of the system, the \$55,990 represents the standard amount of "deferred compensation" earned by 30 years' service at this level of work.

The bill proposes that Mr. Jones, despite the fact that he is below normal retirement age, receive the same annual benefit as Mr. Smith. Since Jones has a normal life expectancy of 20.2 years, he will receive over his retirement years a total of 20.24 times \$3,375, or \$68,310. This is 22 percent more than Smith will receive.

Thus, if this legislation is enacted, it will permit one employee, merely because he started younger, to receive 22 percent more compensation than another employee with identical earnings and service but who started his Federal career at a later age.

As a matter of fact, the present reduction on annuities beginning at ages under 60 is considerably less than the deduction which should be made to insure that Jones and Smith receive the same benefits for identical service. Some inequity, therefore, already exists. But this legislation would compound it and increase to the maximum the violation of principle involved.

While the Salary Reform Act of 1962 which established the principle of comparability with regard to Federal salary levels did not refer specifically to fringe benefits, the principle is obviously applicable to other forms of compensation. Compared with early retirement provisions available to employees in private industry, the provisions of the Civil Service Retirement Act are very liberal.

In his report on "Manpower Requirements, Resources, Utilization, and Training" transmitted to the Congress in March 1963, the Secretary of Labor cites the findings of a Bureau of Labor Statistics' study of pension plans conducted in 1962:

Of 540 plans * * * 447—covering more than 7 million workers—provide for early retirement benefits. * * * The usual minimum age for qualification is 55 or 60, and the employee in most cases must have 10 to 15 years of service. * * * Older workers separated before normal retirement age (of 65) typically could look forward to monthly pensions of about \$25 at age 55 and \$36 at age 60, if

they had 20 years of service and annual average earnings of \$4,800. These monthly benefits are approximately the actuarially reduced equivalent of normal retirement benefits of \$50 to \$59, payable at age 65.

The actuarial reduction amounts to about 6.6 percent for each year under age 65. Most private pension plans are designed as supplements to social security.

The Social Security Amendments of 1961 (Public Law 87-64) reduced the age at which men are first eligible for old-age and survivors insurance benefits from 65 to 62. Under the new provision, the benefits for a man worker are reduced at the same rate that now applies for a woman worker five-ninths of 1 percent for each month before age 65). This also is a true actuarial reduction—6.67 percent per year.

By contrast, the Civil Service Retirement Act sets the normal retirement age at 62 with a minimum of 5 years' service or at age 60 with 30 years' service. Voluntary retirement is permitted at age 55 with 30 years' service with an annuity reduction of only one-twelfth of 1 percent per month (1 percent per year) for each full month the retiree is under age 60.

Let me give you a specific example to illustrate the superiority of the Federal early retirement provisions. Take a Federal employee whose high 5-year average earnings and 30 years' service entitle him to an annuity of \$225 a month. This retirement at age 60 would involve no reduction for age. At age 55 the reduction, under present regulations, would be 5 percent, or \$11 a month.

Contrast this with benefits of an employee under a typical private industry retirement system. The employee in private industry, whose earnings and service entitled him to the same \$225 basic annuity, could not retire before age 65 without incurring some reduction in his annuity. If he retires at age 60 his basic annuity would be reduced by 33.3 percent, or \$75 a month. For voluntary retirement at age 55 the actuarial reduction would be 66.6 percent, or \$150, leaving him a reduced annuity of only \$75 a month.

The current early retirement provisions of the Civil Service Retirement Act give the Federal employee a decided advantage over his counterpart in private industry. Application of the comparability principle to this aspect of Federal compensation can only lead to the conclusion that no further liberalization is warranted.

The Bureau of the Budget firmly believes that, generally speaking, payment of civilian retirement benefits should be related to the attainment of an age generally associated with the close of a career and not merely to the completion of a prescribed number of years of service.

In some cases it is in the interest of an employee to retire before reaching the normal retirement age, and we believe that when an employee has good personal reasons for retiring early he should be permitted to do so.

By voluntarily exercising the option, however, he should not reap an inequitable financial advantage over the majority of employees who serve out a normal career.

The fact of the matter is that the present "55-30" provision with its 1-percent-per-year reduction constitutes a very good bargain. To offer even greater financial inducement for early retirement would be contrary to the best interest of the Government and inequitable as among Federal employees.

Another basic objection to these measures is their cost. The exact number of additional early retirements which might occur should this bill, or related bills, be enacted is, of course, a matter of conjecture.

However, if we assume that enactment would result in a 75-percent increase in retirements under this option, the Civil Service Commission estimates that the annual cost, on a normal cost-plus-interest basis, would be approximately \$6 million, with an increase in the unfunded liability of \$943 million.

The Bureau of the Budget does not believe that such increases in the obligations of the Government are justified in these circumstances.

Studies published by the Department of Labor indicate that this decade will see an actual decline in the number of workers in the 35 to 44 age group because of the low birth rate of the 1930's. These studies conclude that future manpower requirements will increasingly have to be met by younger and older workers.

For a variety of reasons, it is the policy of the Government to encourage older workers to continue in active employment as long as they are able. Government agencies are urging private employers to eliminate discriminatory practices with regard to the employment of older workers.

In these circumstances it would be inconsistent for the Government to enact legislation encouraging employees to retire before reaching a normal retirement age.

Employees who have 30 years' experience before reaching the normal retirement age of 60 possess skills and abilities that the Government can ill afford to lose. The Labor Department's studies point to the rapid growth in the demand for occupations requiring higher skills—professional, managerial, technical, clerical, and craftsmen. They warn that unless educational and training facilities are greatly expanded workers in these categories will be in short supply.

This forecast further reinforces our conviction that it would not be in the best interest of the Government—or the Nation—to encourage employees with these skills to leave the labor force prematurely.

Mr. DANIELS. Mr. Hughes, can you tell us what the average age is of persons entering the Federal service?

Mr. HUGHES. Mr. McAfee says that it is his recollection the age is about 27.

Mr. DANIELS. How many years do you consider to be the average working or productive years of a person?

Mr. HUGHES. I don't know that I have any authoritative view on that, Mr. Chairman. The normal retirement age in our society is somewhere between 60 and 65, and I suppose the productive generally in the range from perhaps the later teens to 60 or 65 and certainly there are people productive both before and after these periods.

Mr. DANIELS. What would be the average?

Mr. HUGHES. In our society we apparently assume 45 years, something of this magnitude.

Mr. DANIELS. The average age of a person entering the Federal service is 27. And we would add on 30 years of service, so that would bring his age to 57.

Mr. HUGHES. Yes.

Mr. DANIELS. So the difference between the present law and the average age is a difference of 3 years. Why would it cause such an

extreme burden upon the Treasury of the United States, by making an exception to the present law by enacting this legislation?

Mr. HUGHES. If the legislation achieves its purpose at all, a number of people who would not otherwise elect to retire before age 60 would so elect. The number is certainly conjectural.

Mr. DANIELS. Do you sincerely believe that 75 percent of those who would be eligible to retire after 30 years of service would do so?

Mr. HUGHES. No. The figure which we have cited here is based on an assumption that there would be a 75-percent increase in the number of retirements as a consequence of the enactment of this legislation. This estimate stems from very limited experience.

I think the most recent, and perhaps the most pertinent was the experience when the reduction in the monthly retirement benefits was reduced from 3 percent to 1 percent, for early retirement. At this point, as I understand it, the Civil Service Commission experience indicated an approximate doubling of retirements.

And we are assuming that this bill would have a somewhat more limited effect than that.

Mr. DANIELS. You say it would be a 75-percent increase?

Mr. HUGHES. Yes; instead of a doubling.

Mr. DANIELS. Nevertheless, you haven't answered my question. Do you sincerely believe that after 30 years of service, and having attained the age of 55, that there would be a substantial increase in the number of persons who would retire if they had the option?

Mr. HUGHES. Yes, sir; I certainly do.

Mr. DANIELS. How many people do you think would do so, in figures?

Mr. HUGHES. The 75-percent assumption, which we have used here, is an additional 2,250 people per year.

Mr. DANIELS. Now, this would entail an additional cost of \$943 million?

Mr. HUGHES. Yes, sir; this would be the increase in the unfunded liability of the civil service retirement fund.

Mr. DANIELS. Getting back to the first example you cited, about two men entering the Federal service, working 30 years, but having a disparity in age of 5 years; that example is really an unusual example, is it not?

Mr. HUGHES. It didn't seem to me so, sir; in what way?

Mr. DANIELS. You take their life expectancy and you project that over a period of years, in one case one would live a little more than 20 years and in the other case, a little more than 16 years.

Mr. HUGHES. This would be the normal expectancy for two individuals in our society, covered by the civil service retirement fund as these respective ages.

Mr. DANIELS. But on the basis of what you have said that the average age of persons entering into the service being 27 years of age, such an example would hardly take place or is unlikely to occur?

Mr. HUGHES. I think it would be very common. Whether it would be the most common occurrence, whether the most common retirement age would be 55, rather than 56 or 57, I think that is speculative, but certainly with this kind of provision, retirements at age 55, among those with 30 years of service, would be quite common, it would seem to me.

Mr. DANIELS. Mr. Wallhauser?

Mr. WALLHAUSER. Thank you, Mr. Chairman.

Supposing you used other figures, rather than the 75-percent increase. Have you figured other costs, how that would result?

Mr. HUGHES. Mr. McAfee says the Commission has some alternative projections. I think we can approximate from the 75 percent, on a sort of a ratio basis, with reasonable accuracy, the order of magnitude.

Mr. WALLHAUSER. Could you give us some other percentages?

Mr. HUGHES. In round numbers, sir, which is all we would be able to do at this point, if you assumed that the increase would be 50 percent in retirement rates, or approximately 1,500 retirements a year, the cost of that would be \$44 million and the unfunded liability would be in the magnitude of \$628 million, I guess.

Mr. WALLHAUSER. Supposing we reduced it to 25 percent?

Mr. HUGHES. The figures then, I think, sir, would be roughly one-third of the ones I have given you; \$22 and \$314 million; that is, \$22 million annual normal cost plus interest, and \$314 million increase in the unfunded liability of the trust fund.

Mr. WALLHAUSER. The Chairman of the Civil Service Commission, in a letter dated May 16, to the chairman of this committee, seemed to believe that, he based his estimate on age 55, 25 percent optional retirements, \$23 million.

Mr. HUGHES. I think, sir, you may wish to pursue this with Chairman Macy, when he is here, but I believe the estimate you refer to there was with respect to a bill with a 55-year minimum in it.

Mr. WALLHAUSER. That is right.

Mr. HUGHES. This would have a somewhat different and more limited impact.

Mr. WALLHAUSER. Supposing we did have a 55-minimum limit in it. What would your thought then be as regards the desirability of the legislation?

Mr. HUGHES. We would still be opposed to it, sir, on the basis of the management concepts that we have tried to set forth.

Mr. WALLHAUSER. But it would be more desirable?

Mr. HUGHES. I think a minimum limit would be preferable to no limit, but we would not favor legislation whether or not it had a minimum in it.

Mr. WALLHAUSER. At the present time we are considering a dual compensation proposal in the full committee relating to the military retirees, and the Assistant Secretary of Defense has made the point that 20 years, taking a good hard look at this 20-year retirement, because they feel they are losing many valuable people of skill in the Government.

Your point was that the military was different than the civilian, because of the physical problem, but there is more to it than physical, there is also the mental part.

Mr. HUGHES. There certainly is.

Mr. WALLHAUSER. So I wanted to just point out to you that even the military realizes that maybe they are a little unrealistic with such a very low number of years to retire. This bill is 30 years, which is a lot more realistic of course.

Mr. HUGHES. We did a good deal of work, sir, on the legislation to which you refer, and as I am sure you realize, it poses the problem of military retirees entering civilian employment; it is a rather perplexing problem and the matter of equity of treatment with regard to their retirement benefits and their compensation for civilian service is a difficult one to deal with.

One of our concerns with legislation of this sort, in the civilian area, even with a 30-year requirement, is that it tends to create many of the same problems the committee is struggling with with respect to the military.

Mr. WALLHAUSER. I won't keep you any longer, Mr. Hughes and Mr. McAfee. We appreciate your coming before us and thank you for your presentation. We will certainly take it into consideration, very definitely, before we come out with a decision.

Thank you very much.

(An additional statement from Bureau of the Budget to Chairman Murray follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 14, 1963.

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

DEAR MR. CHAIRMAN: Reference is made to your requests for the views of the Bureau of the Budget with respect to H.R. 124, H.R. 327, H.R. 337, H.R. 376, H.R. 718, H.R. 719, H.R. 1785, H.R. 2013, H.R. 2046, H.R. 2051, H.R. 2477, H.R. 2540, H.R. 2865, H.R. 2909, H.R. 3505, H.R. 3916, and H.R. 4318, all bills relating to retirement of Federal employees after 30 years of service.

H.R. 337, H.R. 2013, H.R. 2046, H.R. 2051, and H.R. 2909 provide that any civil service employee of the U.S. Government may retire voluntarily after 30 years' service regardless of age without any reduction in annuity rate because of early retirement. As such, the provision would apply not only to the civil service retirement system but to the system for Tennessee Valley Authority, Foreign Service, etc. Employees of the District of Columbia who are within the civil service retirement system would not be affected.

H.R. 327, H.R. 718, H.R. 719, H.R. 2477, H.R. 2540, H.R. 2865, and H.R. 4318 would make the early retirement provision applicable only to employees under the Civil Service Retirement Act.

H.R. 124, H.R. 1785, H.R. 3505, and H.R. 3916 would permit optional 30-year retirement on full annuity upon attainment of age 55.

H.R. 376 would permit the 30-year employee to retire at any age on a reduced annuity.

The present statute permits retirement on full annuity at age 60 after 30 years of service and at age 55 with 30 years' service on an annuity reduced by 1 percent per year for each year the employee is under age 60 at retirement.

Retirement annuities constitute a form of deferred compensation for services rendered to the Government. The Bureau of the Budget believes that the payment of retirement benefits should be related to the attainment of an age generally associated with the close of a career and not merely to the completion of a prescribed number of years of service. It recognizes, however, that in certain cases it is in the interest of an employee to retire before the attainment of normal retirement age. In such cases, the Bureau of the Budget agrees that the employee should be permitted to do so but should not, by voluntarily exercising the option, reap an inequitable financial benefit over the majority of employees who serve out a normal career.

The 1-percent reduction factor now required in the Civil Service Retirement Act for optional retirement at age 55 is intended to partially offset the otherwise unequal retirement compensation such employees receive.

Complete equity would require a true actuarial reduction (about 6 percent per year) so that the present reduction factor already offers early retirees an advantage. To eliminate the factor entirely, as proposed by these bills, would compound the inequity.

The Civil Service Commission has recently submitted for consideration of the Congress a proposal for improving the financing of the civil service retirement system which will involve increasingly larger agency contributions over the next 22 years. These increased contributions are needed to help meet the cost of past service liabilities incurred as a result of earlier liberalization of benefits including the present early retirement provisions. Elimination of the present reduction factors for early retirement would have the effect of increasing past service liabilities as well as normal costs.

Past experience indicates that each time the reduction factor for the 55-30 optional retirement provision has been cut, the number of employees exercising the option has about doubled. It is reasonable to assume that elimination of the reduction would have similar results. The Civil Service Commission estimates that if 55-30 retirement were to double the increase in annual cost on a normal plus interest basis would be \$36 million. About half of this extra cost represents the increased normal cost. The other half consists of interest at 3.5 percent of an increase in the unfunded liability of nearly \$500 million. This Bureau believes that an increase in costs of this magnitude is totally unjustified.

Accordingly, for the reasons stated above, the Bureau of the Budget recommends that your committee not give favorable consideration to the subject bills.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Mr. WALLHAUSER. Our next witness this morning will be Mr. Jerome Keating, president of the National Association of Letter Carriers, accompanied by Mr. Don Kerlin, legislature liaison director.

STATEMENT OF JEROME J. KEATING, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, WASHINGTON, D.C.; ACCOMPANIED BY DON KERLIN, LEGISLATIVE LIAISON DIRECTOR

Mr. WALLHAUSER. Good morning, and welcome to the committee. We are delighted to have you with us. We always look forward to your testimony, because we know that you have given a lot of study and a lot of thought to the problem and I am sure that what you have to say to us will be beneficial in arriving at a final conclusion.

You may proceed in any manner in which you wish to. You may read your statement or talk extemporaneously, whichever you prefer.

Mr. KEATING. Thank you very much.

I am accompanied today by our very able vice president Mr. Rademacher, and Mr. Kerlin, whom you have already announced.

We are very happy the committee has scheduled these hearings as they have, and that Chairman Morrison announced earlier that after we are through with the hearings on this particular bill, other retirement measures will be taken up.

This is a very important piece of legislation. Our members have long looked forward to the right to retire after 30 years of service without reduction in annuity. Thirty years is a long time to plod the streets in hot weather, in cold weather, in the rain, the snow, and under the blazing sun, carrying a load of mail.

Carrying mail is a hazardous job. I might point out in that connection, as Chairman Morrison stated earlier, those in the Army retire after 20 years of service. Those who are in the law enforcement agencies, under the Federal Government, are also entitled to the right to retire after 20 years of service.

While the Bureau of Employees' Compensation no longer breaks down the accident experience by occupation, up until a few years ago, they did have such a breakdown. This breakdown showed that the

incidence of accidents among letter carriers was greater than that of other postal employees. It also showed it was also greater than among those in law enforcement agencies. The accident rate of postal employees, as shown in the reports of the Bureau of Employees' Compensation, has always been greater than that of other Federal employees. In the last report of the Bureau, the frequency of injuries in the postal service, which measures the disability injuries per million man-hours, the post office rate was high. The rate in the post office was 20.1, while the rate for all was 8.4. That is the average, overall average.

On the severity factor, the number of days lost per million man-hours in the postal service was 647; for all employees it was 594. Obviously there are more hazards to be encountered by the letter carrier, who is out on the street delivering mail from door to door. He is not in a position to be protected by safety measures to the same extent as those working in a controlled situation can be protected. The loose step of the householder, the icy sidewalk, the tricycle in the middle of the walk—these are hazards that safety programs do not reach.

We believe that our people should have the right to retire on a full annuity after they have 30 years of service. Many of them, after 30 years of service, begin to suffer ailments which, while not severe enough to qualify them for disability retirement, make it most difficult for them to continue their letter carrier duties.

It is our opinion that a great percentage of those who have 30 years of service will not elect to retire. Under present law, only 1 out of 12.5 elects to retire at 55 years of age, or under the 55-year provision, I might state. Many of those you would find, if an analysis was made of the age at which they retire, many of them retire at 56, 57, 58, and 59, they don't make up their mind or maybe they don't feel like it at 55. Some of them don't have 30 years service in until they are 56 or 57.

So 1 out of 12 then do not retire at 55; they are retiring at ages between 55 and 60. The records of the Civil Service Commission show that the average years of service of those retiring at age 55 with 30 or more years of service is 34.8 years. The average years of service of those who retire after they have passed the age of 60 is 37.3 years. There is only a small percentage of employees who ever complete 30 years of service. The average service of civil service annuitants is 22.8 years, and there are many employees who die or leave the service before qualifying for retirement.

I might also point out that I would disagree with the representatives of the Bureau of the Budget, when they estimate the age of entry at 27 years of age. Our studies have indicated it is closer to 30 and possibly a little more than 30. I think in fact that the overall average of retirement, the number of years of service, is as low as it is; 22.8 would indicate it would be closer to 30 than it would be to 27.

We do not believe the cost of this legislation will be very great as the Commission estimated. Presently the expenditure for those retiring at age 55, under the present law, is approximately \$24 million. One out of 12 retires. The Commission estimates that will be increased to one out of four. I think their estimate of the increase is far too high.

The statement was made by the previous witnesses that when the reduction factor was changed, it resulted in doubling the number of those retiring. Well, the change in the retirement factor was 15 to 5 percent. This change is a smaller one, it is a 5-percent reduction, change in the reduction.

Also, the fact that the numbers doubled before I don't believe is quite so indicative. When you use a percentage factor, and when you start first with a small number, your percentage is greater. It is easier to get 100 percent of 1 than it is 100 percent of 69, so I think that the Commission's estimate of an increase of 75 percent is extremely excessive.

We believe that out of those that will retire, that instead of being 1 out of 4, it is more apt to be 1 out of 10. And we think that the increase in the cost will be much, much less than what has been estimated by the Commission.

We believe it is sound from an economic standpoint to permit earlier retirement on a full annuity. The productivity in this country has advanced through mechanization and automation to a point where we have a chronic problem of unemployment. Cybernation will bring about much greater production and will gravely affect employment in the Federal service. As a matter of fact, it has already—and in the next few years the effect will be much greater.

Since the end of World War II, the U.S. economy has gone through several recessions. The unemployment rate, after recovery, has improved very little. Since the last recession in 1960-61, unemployment has stayed above 5.5 percent.

There were 4,800,000 unemployed in June—that is 400,000 more than were unemployed a year ago. Still, production was up in every field. Housing starts reached a new high. The automobile industry, for the first time, produced over 700,000 new cars in a single month—this happened in both April and May of this year, the only time in history they have reached that rate of production. Despite these facts, in the month of May, the percentage of the labor force unemployed was 5.9 percent. This is a stubborn problem on which we have not made much headway.

The passage of this legislation to provide optional retirement after 30 years of service without reduction in annuity would be sound economics for the United States of America, and would provide a fair and just reward for employees who have had 30 years of faithful service as employees of the Federal Government.

We believe it is not a technical problem. The computation of the prospective liability is not always an accurate analysis of the situation. As a usual thing, the projections are usually on the conservative side, and are greatly overestimated. I wonder if in estimating the costs that, particularly the annual costs, if proper consideration was given to the fact that the average annuity of those who retire at the age of 60, with 30 years of service, is \$156 a month, that the average annuity of those in the 55 bracket is only \$130. There is a marginal saving in the amount of dollars expended per month on those that retire at age 55. I think the dollar factor—we estimate that the increased cost of this bill would not be anywhere near \$67 million; in fact, it would be closer to \$10 million than \$67 million.

We hope that action will be taken. We want to congratulate Congressman Arnold Olsen in introducing 2909 and you, Congressman Daniels, for the bill you introduced and all of the Members of Congress that introduced such legislation.

We think from a personal standpoint this legislation is most important, because it would give assurance to those who have had 30 years of service, on behalf of the Government—that is a long time to work anyplace—who have had 30 years of service, it would give them assurance that at any time when they have an ailment that doesn't quite qualify them for disability retirement but makes it a little harder for them to work, it would make it possible for them to step out and get some credit for their long service.

We hope that you will favorably report out this bill and it will become law this year.

Mr. DANIELS (presiding). You are the president of the National Association of Letter Carriers, which is a large organization of Federal employees, consisting of how many members or employees?

In other words, what is the membership of your organization?

Mr. KEATING. The membership? 165,000.

Mr. DANIELS. In your conferences with the members of your organization, have they indicated a great desire and demand for this legislation?

Mr. KEATING. We have had resolutions passed at at least the last 10 conventions favoring such legislation. Our members feel after they have reached the age of 55, as some of us know from having reached that age and passed it, you get little things bothering you that never bothered you before and your work becomes a little harder.

In some cases, it becomes much harder than it does in the case of others. And we think that those people ought to be able to lay down the sack in the case of the letter carriers, or lay down whatever job they are doing, in other cases, after they have had that long faithful service and have given so much of their life to the Government.

That has been unanimously supported, and it has been passed in I imagine the conventions of every State in the Union and by at least 10 of our national conventions.

Mr. DANIELS. This legislation then, in your opinion, would give the employees who have served 30 years of faithful service, assurance, and a feeling of confidence for the future. Is that correct?

Mr. KEATING. That is right.

Mr. DANIELS. What is your opinion with respect to the number who would take advantage of this legislation, if it were passed?

Mr. KEATING. We estimate 1 out of 10. One out of 12½ presently retire. We think the number would increase by probably 1 out of 10, not 25 out of 100 or 1 out of 4 as the Government estimated.

Mr. DANIELS. Thank you.

Mr. Wallhauser?

Mr. WALLHAUSER. I just want to ask a few questions.

I enjoyed listening to Mr. Keating.

Your testimony is based on the equity of the situation?

Mr. KEATING. That is right.

Mr. WALLHAUSER. You are not impressed by the examples given by the representatives of the Bureau of the Budget, theoretical examples that they have chosen, are you?

Mr. KEATING. No.

Mr. WALLHAUSER. You are making the point that you have a different type of employment, as far as letter carriers are concerned?

Mr. KEATING. That is right.

Mr. WALLHAUSER. I guess in comparability studies, it was very difficult to find any really comparable job in private enterprise?

Mr. KEATING. There isn't any.

Mr. WALLHAUSER. No. It would seem to me, and I wonder if you agree with this, that if letter carriers and clerks and others in the postal service have difficulty in living on the salaries that they now receive, because we have had much testimony as you well know, some of which you have presented before this committee, indicating that secondary jobs were required by many in the service, to maintain a decent standard of living it wouldn't seem to me that many would retire as quickly as they could get out, because they would have to live on a lot less money than they are now earning.

This would be a great deterrent; wouldn't it?

Mr. KEATING. It is a great deterrent. That is the reason why only 1 out of 12 or 12½ retire and the percentage rate on those that retire at 55 is a little higher in the postal service and I think probably that the physical factor enter into that.

Some of them reach a point where they have to retire because of physical reasons.

Mr. WALLHAUSER. But the reduction in income is very great when they retire?

Mr. KEATING. It is very great and as you point out, it is an extremely strong deterrent and we are not going to see an increase in the number of retirements by very much.

Mr. WALLHAUSER. This \$10 million figure that you estimated sounds more realistic. Have you carefully estimated that?

Mr. KEATING. Yes, we have, and listed that quite carefully. We think that is a sound estimate of the annual cost.

Mr. WALLHAUSER. There is one other item among hazards that the letter carrier faces that you haven't listed here.

How about being bitten by a dog?

Mr. KEATING. Well, usually we don't mention that, because we know it will be brought out. Actually it is a rather amazing thing that that injury rate is really quite high.

In the Post Office Department, for example, the Bureau of Employees' Compensation has an item as a cause of injury "animals and insects," and of course in some fields I imagine the insect bites are quite common, but the percentage rate in the Post Office, in 1960, for animal injuries, was 16.2. So it is quite a substantial factor.

Mr. WALLHAUSER. I want to say, Mr. Chairman, I appreciate the courtesy in letting me ask questions and also having the distinguished president and his associates appear before us. Thank you.

Mr. DANIELS. Thank you, gentlemen.

Our next witness is Mr. Max Jordan, president, National Rural Letter Carriers' Association.

STATEMENT OF MAX JORDAN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION; ACCOMPANIED BY JOHN EMEIGH, SECRETARY

Mr. JORDAN. Mr. Chairman, I am accompanied today by Mr. John Emeigh, secretary of our organization.

Mr. DANIELS. Yes, thank you. I notice you have a prepared statement. You may read your statement or you may summarize it.

Mr. JORDAN. Mr. Chairman, our statement is rather short, so if it is all right with you, I will just read it.

Mr. DANIELS. Fine. You may proceed any way you wish.

Mr. JORDAN. My name is Max H. Jordan. I am president of the National Rural Letter Carriers' Association, an organization of 40,000 substitute, retired, and regular rural carriers.

I am pleased to appear today to testify in support of H.R. 2909, introduced by Representative Arnold Olsen of Montana, and almost a score of related bills sponsored by other distinguished Members of the House of Representatives. We are deeply appreciative of the interest that is being shown in liberalizing the laws governing civil service retirement on the part of all Members of the House who have introduced legislation on this subject.

Thirty-year optional retirement has been a goal of this association for many years. It has been mandated as a legislative objective by repeated resolutions passed by our national conventions. We have on various occasions in the past appeared before committees of the House and Senate and urged action to amend the Retirement Act to provide for such optional retirement.

We are pleased that consideration of this proposal is again on the legislative agenda of this committee and we wish to thank you for scheduling hearings on these bills.

Also we would like to express appreciation for the fine statement of Mr. Morrison at the beginning of these hearings and the very fine testimony offered by Congressman Olsen in the early part of the hearings today.

We appreciate also, Mr. Daniels, your sponsorship of a similar bill, H.R. 2477.

Statistics relative to employee annuitants added to the retirement rolls during the past years would not indicate that there would be any wholesale flight from Government service if this legislation were enacted. Likewise, they would not indicate that any great financial burden would accrue to the retirement fund if the Retirement Act were amended to provide this liberalization.

During fiscal year 1962, 50,524 persons were added to the retirement rolls. Only 2,980 of these represented employees who elected optional retirement at age 55 with 30 years of service. It is also important to note that in fiscal 1961, 3,136 employees elected optional retirement at age 55. Thus the number availing themselves of this optional retirement has actually decreased from 1961 to 1962.

The small number who presently retire at age 55 fully substantiates our opinion that removal of a penalty in the form of reduced annuity would not result in any tremendous increase in the number who would elect such optional retirement. If the provisions of H.R. 2909 were to be adopted, we do not believe that the total number retiring under the liberalized provisions would greatly increase.

This opinion would seem to be further substantiated by the fact that out of 50,524 added to the retirement rolls last year, 4,075 were mandatorily retired at age 70. If those retiring on disability (16,737) were removed from the total retirement in fiscal 1962, it will be noted that less than 9 percent exercised optional retirement at age 55.

The position of our association is that there should be no reduction in annuity when an employee desires to voluntarily elect retirement after 30 years of service. In general, certainly within the rural delivery service, there would need to be some extenuating circumstances which would cause the employee to desire to exercise such retirement privilege, particularly if under age 55—the point at which he can presently retire with a reduction in annuity. We feel that, except for a possible small minority, such retirements would in most cases be due to health reasons; that is, cases where the individual may be suffering illness or disability which indicates he should discontinue his work but where it may be impossible to establish a degree of disability warranting disability retirement.

This provision for optional retirement would contribute a great deal to the morale of employees. It is a privilege they do seek and desire, but one which would not be exercised by a large number of employees.

We wholeheartedly endorse H.R. 2909 and trust the committee may be able to report the bill in the near future.

Mr. DANIELS. Thank you, Mr. Jordan, for a very fine statement.

I note the hour is getting late, and we have a number of other witnesses who are scheduled to testify here this morning, so I am going to forgo the usual formality of asking questions.

Mr. Wallhauser, do you have any questions to ask?

Mr. WALLHAUSER. No, I do not; except that I do appreciate the placement of the statistics in the record, which you have brought out. I think they are very good.

I don't have many rural carriers in my district, but I have a very high regard for your organization.

Mr. JORDAN. Thank you very much.

Mr. DANIELS. Our next witness is Mr. John O'Connor, legislative director, United Federation of Postal Clerks.

STATEMENT OF JOHN O'CONNOR, LEGISLATIVE DIRECTOR, UNITED FEDERATION OF POSTAL CLERKS

Mr. O'CONNOR. Mr. Chairman, I noticed your admonishment concerning the time, so if you will, I would like to insert my statement into the record.

Mr. DANIELS. Without objection, it is so ordered.

(The statement follows:)

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

Mr. Chairman and members of the committee, my name is John F. O'Connor, and I am legislative director of the United Federation of Postal Clerks. We represent approximately 160,000 postal clerks throughout the United States and our offices are located at 817 14th Street NW., Washington, D.C.

I wish to express our thanks to the chairman and members of the committee for scheduling hearings on H.R. 2909, as well as to Congressman Olsen for the introduction of H.R. 2909. We also desire to express our appreciation to many other Representatives who have introduced legislation that is similar to H.R.

2909, providing either for a straight 30-year retirement on full annuity or retirement at age 55 with 30 years of service on full annuity.

Both the introduction of the legislation, as well as the scheduling of hearings allows our organization an opportunity to present our viewpoint.

The opportunity for postal employees to retire after 30 years of service without a reduction of their annuity has been an important objective of our organization for many years. At our national convention in Portland, Oreg., in August 1962, retirement after 30 years of service with a full annuity was made a major objective of our organization.

We recognize that the claim will be made that the cost of this type of legislation will be prohibitive. We, however, believe that experience with optional retirement has indicated over the years, that a small minority of employees elect to retire at an early age unless there is some very good reason for such action, such as an illness. An employee can be quite ill and have a reasonable desire to retire, but still is not ill enough to qualify for retirement under the disability clause. We believe this is a valid assumption, inasmuch as reports on the civil service retirement system indicate that about one-third of those retiring under the various retirement provisions do retire under the disability provisions.

We believe that this bill, H.R. 2909, in its provisions is real progress, inasmuch as it eliminates any penalty for employees who do retire prior to age 60. At the present time there is, as all of you know, provisions for an employee with 30 years of service to retire at age 55 with a penalty of a reduction in his annuity. This penalty, though a small one, is still a serious penalty, inasmuch as it does deprive the employee who retires of a portion of his income which is sorely needed as such time.

It is our understanding that the average age of an employee entering the Federal and postal service is about 27 years of age. This would mean that an employee after 30 years of service would, on the average, be at least 57 years of age at the time of retirement under this bill.

We, therefore, believe that the adoption of provisions of H.R. 2909 would not prove to be a serious strain on the retirement system. In fact, we believe that, actually, there might be a gain for the Federal Government, inasmuch as the employee who is retiring is in the higher salary bracket, and the salary of the employee replacing him would be in a lower bracket. The difference between what would be paid the newer employee and that paid in retirement to the retired employee would about even out. As a consequence, we believe there would actually be little, if any, cost to the Government.

Again, may we voice the thought that we believe that only employees who are ill would, in most instances, take advantage of such retirement. We recognize that the figures we have quoted above concerning the average age of the employee entering the Federal Postal Service would not be true in all instances. There would be employees who would enter at an earlier age. These employees, of course, could be eligible under this proposal to retire at age 50, 51, 52, etc. However, retirement of an employee from age 50 through 60 would ordinarily be barred by the law of economics. A man in that age bracket would still ordinarily have serious family responsibilities, such as children in school or college, and probably his home is only partially paid for. These instances make it virtually impossible for a man in this age bracket to even think of reducing his take-home pay. Further, if an employee in this age bracket were to seek employment in private industry, it is quite probable that it would be impossible to secure worthwhile employment. Actually, the type of employment he could secure would result in an inadequate wage. Even combined with his annuity this would very likely produce a lesser income than he is presently receiving from the Government.

We, therefore, believe that retirement at an early age would be limited to those who had a compelling reason, such as serious illness. We believe that postal and Federal employees should, through the enactments of the provisions of H.R. 2909 be given an opportunity if the necessity should arise to retire following 30 years of service to the Government without any penalty. We do not believe that the cost of such retirement would be as great as estimated.

We do know that the members of the military forces have retirement after 30 years, and in many instances after 20 years. In addition, your attention is drawn to the fact that it is quite common throughout the country for members of the police and fire departments to retire with 25 to 30 years of service.

There is presently a large segment of our population who are unemployed, and retirement such as proposed in H.R. 2909 could be helpful in providing jobs for many of this unemployed group.

May I assure the chairman and the members of the committee that I appreciate the opportunity of appearing and presenting the viewpoint of our organization.

We are hopeful that H.R. 2909 will be reported at an early date.

Mr. O'CONNOR. I would like to thank the committee and the chairman for scheduling the hearings.

I also want to thank Congressman Olsen and the other Members of Congress who have introduced legislation on this subject.

It has been an issue in our organization for many years and we are wholeheartedly for H.R. 2909.

Mr. DANIELS. You represent an organization of how many members?

Mr. O'CONNOR. Approximately 160,000.

Mr. DANIELS. Do you believe this legislation, if enacted into law, will be conducive to the morale of the employees in the Federal service?

Mr. O'CONNOR. We desire it very much. Our organization for many years has gone on record for 30-year optional retirement without a reduction.

Mr. DANIELS. What is your opinion as to the flight of the employees from Federal service after having served 30 years and having attained the age of 55?

Mr. O'CONNOR. Well, many of those employees desire to continue, of course. But many of them, as Mr. Keating says, have reached an age in life when they start to have aches and pains of different types, and they may get into a position where they want to leave the job.

Mr. DANIELS. That would be the principal reason for them wanting to retire, but not necessarily retiring if they are not suffering from any ailment?

Mr. O'CONNOR. That would be our opinion, that an employee would not take advantage of this unless he was ill, not quite ill enough to retire under disability, but still desiring to retire.

Mr. DANIELS. What is your opinion as to the number of people who would take advantage of this if they had the election?

Mr. O'CONNOR. As to the actual number, I doubt if it would be very great. The statistics show us that not too many take advantage of the retirement at age 55 with the reduction at the present time. I don't think a great many more would take advantage of it, actually, because at that time of life a man still has a lot of economic problems. He has probably children still going to school or college, and particularly with the unemployment problem at the present time he has no hope of actually securing an outside job.

So unless there were compelling reasons for him to retire, I don't believe he would retire.

Mr. DANIELS. Would he not be more inclined to build up his annuity benefits?

Mr. O'CONNOR. That is true, I believe he would.

Mr. DANIELS. Thank you.

Mr. Wallhauser?

Mr. WALLHAUSER. I am glad to see you, Mr. O'Connor. You made a most interesting point in your statement which is new and certainly must be given a lot of consideration; namely, that there might not be hardly any cost to the Government because of the fact that the person who is retiring would be in a higher salary bracket than the employee replacing him would be.

Mr. O'CONNOR. That is true. The employee coming in would be in a much lower starting grade, and there are 12 grades, with quite a differential.

Mr. WALLHAUSER. I want to thank you for bringing this out, and I certainly will study your statement very carefully. Thank you.

Mr. O'CONNOR. Thank you, Mr. Chairman.

Mr. DANIELS. The next witness is Mr. John MacKay, president, National Postal Union.

STATEMENT OF JOHN MacKAY, PRESIDENT, NATIONAL POSTAL UNION; ACCOMPANIED BY WALTER O. NOREEN, EXECUTIVE VICE PRESIDENT

Mr. MacKAY. Mr. Chairman and members of the committee, in view of the shortness of time, we, too, would like to submit our statement for the record. We have taken a strong position in favor of this legislation, and we want to express our appreciation to the members of the committee, particularly to Congressman Olsen for having introduced this bill.

If we may, Mr. Chairman, we would like to hit two of the high spots in our testimony, which will be very brief.

I would like at this time to introduce Mr. Walter O. Noreen, our executive vice president, for a brief presentation of the retirement program of the National Postal Union, because we think it is significant to these hearings.

Mr. Noreen.

Mr. DANIELS. Mr. MacKay, do you desire to file this in the record?

Mr. MacKAY. Not necessarily, Mr. Chairman. We are particularly referring to one section of that proceeding.

Mr. NOREEN. Mr. Chairman, we have listed our permanent legislative program. This program is adopted at our conventions and it eliminates repeated action at following conventions on our major legislation program and our liberalized retirement resolution is all-encompassing and it covers the subject we are discussing here today.

It reads as follows:

Liberalized retirement: Elimination of the 1 percent deduction per annum between the ages 55-60. All annuities to be tax exempt. Elimination of all deductions assessed for the privilege of selection of widow's and dependents' annuities. Optional retirement after 25 years of service regardless of age, based upon 2½ percent of the highest 1 year of service multiplied by the number of years of service, not to exceed 100 percent of the salary. Opposition to any attempt to merge with social security. Opposition to any attempt to increase the present 6½-percent deduction of the employees' basic salary. Extend all benefits to former employees now on the retirement rolls, that all salary increases be immediately reflected in retirement benefits to all annuitants. That an all-out effort be made to have the Government appropriate their equal share since the conception of the act in 1920. That the proviso of 5 years of civilian service under the survivors benefits under the death claim be changed to read: "Immediately upon becoming a member of the civil service retirement fund." The following new provision be added under the section of the retirement law listed "Joint and Survivor Elections": An employee who has made a joint-and-survivor election to provide an annuity for his wife at his death, may revoke that election if he wishes. His reduced amount then will be raised to the full amount. When a wife or husband for whom the election was made predeceased the employee the election is automatically revoked.

This resolution has been on our permanent resolution since the inception of our organization and it is our opinion it is one of the greatest and the best fringe benefits the Federal and postal people have and the greatest inducement for the Federal service.

Mr. MACKEY. Thank you.

Now, if I may, I would like to direct your attention to our statement as submitted to the committee. We refer to the Civil Service Commission Annual Report for 1962. It speaks about the operation of the retirement system, and we would like to point out that during the 41-year span, the fund reportedly received a total of \$21.8 billion, disbursed \$9.658 billion and wound up with a balance of \$12.166 billion. Now this achievement occurred despite the failure of the Government to make any appropriation to the fund for the period 1921 to 1928. During the period 1929 through 1940, or 11 years, it contributed but approximately \$467 million. The record further reveals that during the 41-year period employees contributed \$10.117 billion as compared to the Government contribution of \$8.037 billion. During this time the balance in the fund continued to increase year by year until it now stands at a record \$12.166 billion as cited above.

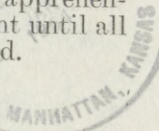
On May 9, 1963, Chairman John W. Macy, Jr., of the Civil Service Commission submitted a lengthy statement to the Congress to improve financing of the civil service retirement system. He predicted that unless steps were taken to increase the present level of contributions the civil service retirement and disability fund "would vanish by the year 1990." The Chairman, in an effort to eliminate "unfunded liability" of the system that has "grown to an estimated \$34 billion as of June 30, 1963," proposed the following three-point program:

(1) The present contributions of 6½ percent of pay by employees and the matching contributions by the agencies would be continued. These regular contributions together approximately cover currently accruing or normal cost of the system.

(2) Each agency would be required to make supplemental contributions to help arrest the growth of the unfunded past service liability of the system and to preserve the integrity of the fund. To ease the budgetary impact, this would be accomplished by starting these supplemental contributions at one-half of 1 percent of payroll in fiscal year 1965 and increasing them by one-half of 1 percent annually for 21 years so that by fiscal year 1986 they would reach 11 percent of payroll and remain at that level thereafter. Based on our present estimates, this supplementary contribution schedule, together with the regular matching contributions, would stabilize the growth of the unfunded liability in 1986 and thereafter permanently finance the system on a normal cost-plus-interest basis.

(3) Any new or increased benefits resulting from future changes in the Civil Service Retirement Act would not become effective and no benefits would accrue until the full estimated increase in unfunded liability for past service which would otherwise result from such change in the act had been appropriated in the fund. This would avoid the escalation of unfunded liabilities because of benefit or coverage liberalizations.

Mr. Chairman, we appreciate the concern evidenced by the Commission over the "unfunded liability." We contend that with the balance in the fund now at \$12 billion and increasing yearly, there still is no specific evidence that the retirement system is insolvent nor in jeopardy. While actuarial predictions may conjure up alarming possibilities, should the fund have to pay off its current and anticipated obligations at a precise date, there exists little or no reason to become apprehensive; to close the door on any further retirement improvement until all "unfunded liability for past service" has been appropriated.



We believe parts 1 and 2 of the Commission's proposal on financing are steps in the right direction. However, we must vigorously object to part 3 that would, in effect, prevent any liberalized amendments to the present retirement program until such time as sufficient funds have been appropriated to equal the "estimated increase in past service liability accruing because of the new legislation."

Mr. Chairman, this pretty well summarizes our position. We want to thank you for giving us this chance to testify.

Mr. DANIELS. Thank you, Mr. MacKay, for coming here and giving us the benefit of your views.

If there is no objection, Mr. MacKay's statement will be entered into the record.

Mr. WALLHAUSER. No objection.

(The statement follows:)

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

Mr. Chairman and members of the subcommittee, my name is John W. MacKay. As president of the National Postal Union, 509 14th Street NW., Washington, D.C., I am privileged to represent approximately 43,000 postal workers affiliated in over 375 local unions in 43 States, the island of Puerto Rico, and the District of Columbia. I am accompanied here today by our executive vice president, Mr. Walter O. Noreen.

We are grateful, Mr. Chairman and members of this subcommittee, for these hearings on H.R. 2909, a bill to provide civil service employees of the U.S. Government the option of retiring after 30 years of service with full retirement benefits. We appreciate the considerate interest evidenced by the Honorable Arnold Olsen and other members of the House Post Office and Civil Service Committee, in sponsoring this long-sought goal of career civil service employees.

EMPLOYEE INTEREST IN RETIREMENT LIBERALIZATION

We would like to go on record in support of H.R. 2909 as written. We have offered testimony on several occasions previously for optional retirement after 30 years of service regardless of age. In fact, we have been mandated to seek the enactment of legislation providing optional retirement after 25 years of service. We wish to submit for your information the retirement resolution adopted by our national convention at Long Beach, Calif., in August 1962.

1. Elimination of the 1 percent deduction per annum between the ages 55-60.
2. All annuities to be tax exempt.
3. Elimination of all deductions assessed for the privilege of selection of widow's and dependents' annuities.
4. Optional retirement after 25 years of service regardless of age, based upon 2½ percent of the highest 1 year of service, multiplied by the number of years of service, not to exceed 100 percent of the salary.
5. Opposition to any attempt to merge with social security.
6. Opposition to any attempt to increase the present 6½ percent deduction of the employees' basic salary.
7. Extend all benefits to former employees now on the retirement rolls.
8. That all salary increases be immediately reflected in retirement benefits to all annuitants.
9. That an all-out effort be made to have the Federal Government appropriate its equal share since the conception of the act in 1920.
10. That the provision of 5 years of civilian service under the survivors' benefits under the death claim be changed to read, "immediately upon becoming a member of the civil service retirement fund."
11. The following new provision be added under the section of the retirement law listed "joint and survivor elections":
 "An employee who has made a joint-and-survivor election to provide an annuity for his wife at his death, may revoke that election if he wishes. His reduced amount then will be raised to the full amount. When a wife or husband for whom the election was made predeceased the employee the election is automatically revoked."

While the proposed amendments cited above may represent a long range objective, we believe they also constitute an emphatic declaration of the abundant interest civil service personnel maintain toward their retirement program. The introduction of more than 100 bills on retirement, during this 88th Congress, confirms this overall concern over the subject.

RETIREMENT AND SECURITY

Civil service retirement, established in August 1920, has long been a cherished employee fringe benefit. Actually, retirement annuity constitutes the only real security most civil servants possess during their declining years. The overwhelming majority of postal workers remain in the lower salary levels. Their lifetime earnings are spent on necessities; on education of their children. Their savings exist primarily in insurance and their obligatory contributions to the retirement fund. A comparatively small number ever attain higher paid supervisory positions.

Government service should be sufficiently rewarding as to attract competent and qualified personnel. We believe this could be more effectively accomplished if such service was more desirable than employment in private industry. Retirement after 30 years of service, at the option of the employee, regardless of age, and without reduction in annuity, would constitute a tremendous forward step in the attainment of such an objective.

ACTUARIAL SOLVENCY

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

CONCERNING RECEIPTS AND DISBURSEMENTS

In its annual report for fiscal 1962, the Civil Service Commission listed receipts, disbursements, and balances in the retirement fund for the fiscal years 1921-62. During this 41-year span the fund reportedly received a total of \$21.8 billion, disbursed \$9.658 billion and wound up with a balance of \$21.166 billion. This achievement occurred despite the failure of the Government to make any appropriation to the fund from the period 1921 to 1928. During the period 1929 through 1940, 11 years, it contributed but approximately \$467 million. The record further reveals that during the 41 year period employees contributed \$10.177 billion as compared to the Government contribution of \$8.037 billion. During this time the balance in the fund continued to increase year by year until it now stands at a record \$12.166 billion as cited above.

On May 9, 1963, Chairman John W. Macy, Jr., of the Commission, submitted a lengthy statement to the Congress to improve financing of the civil service retirement system. He predicted that unless steps were taken to increase the present level of contributions the civil service retirement and disability fund "would vanish by the year 1990." The Chairman, in an effort to eliminate "unfunded liability" of the system that has "grown to an estimated \$34 billion as of June 30, 1963," proposed the following three-point program:

"1. The present contributions of 6½ percent of pay by employees and the matching contributions by the agencies would be continued. These regular contributions together approximately cover currently accruing on normal cost of the system.

"2. Each agency would be required to make supplemental contributions to help arrest the growth of the unfunded past service liability of the system and to preserve the integrity of the fund. To ease the budgetary impact, this would

be accomplished by striking these supplemental contributions at one-half of 1 percent of payroll in fiscal year 1965 and increasing them by one-half of 1 percent annually for 21 years so that by fiscal year 1986 they would reach 11 percent of payroll and remain at that level thereafter. Based on our present estimates, this supplementary contribution schedule, together with the regular matching contributions, would stabilize the growth of the unfunded liability in 1986 and thereafter permanently finance the system on a normal cost-plus-interest basis.

"3. Any new or increased benefits resulting from future changes in the Civil Service Retirement Act would not become effective and no benefits would accrue until the full estimated increase in unfunded liability for past service which would otherwise result from such change in the act had been appropriated to the fund. This would avoid the escalation of unfunded liabilities because of benefit or coverage liberalizations."

While we appreciate the concern evidenced by the Commission over the "unfunded liability," we contend that, with the balance in the fund now at \$12 billion and increasing yearly, there still is no specific evidence that the retirement system is insolvent nor in jeopardy. While actuarial predictions may conjure up alarming possibilities, should the fund have to pay off its current and anticipated obligations at a precise date, there exists little or no reason to become apprehensive; to close the door on any further retirement improvement until all "unfunded liability for past service" has been appropriated.

In the final analysis, should the retirement fund begin to reverse its present trend, in the ever-increasing balance it has accumulated, there will then be ample time and opportunity for the Government to promptly pay up its previous indebtedness. In the second phase of the three-point program mentioned above this would be undertaken gradually so as to eliminate any disconcerting budgetary impact. We believe parts 1 and 2 of the Commission's proposal on financing are steps in the right direction. However, we must vigorously object to part 3 that would, in effect, prevent any liberalized amendments to the present retirement program until such time as sufficient funds have been appropriated to equal the "estimated increase in past service liability accruing because of the new legislation."

In the final analysis, the solvency of the retirement fund, established by law of the land, depends upon the full credit and resources of the Federal Government. We sincerely doubt our country shall ever experience actual bankruptcy or an inability to meet its just obligations.

INDUSTRIAL EXPERIENCE

Some time ago, a pamphlet titled "1960 Study of Industrial Retirement Plans," published by the Bankers Trust Co. of New York, reviewed retirement plans of some 230 companies, ranging from very large corporations to several with as few as 200 employees. Their study covered so-called pattern plans, as negotiated by international unions; conventional plans with benefits that vary with years of service and rates of compensation. Most pattern plans do not require employee contributions, while approximately 52 percent of the conventional plans are noncontributory. The following quotation is pertinent to the legislation under consideration:

"One of the most pronounced trends in pattern plans in the 1956-59 period has been in liberalizing the provisions for early retirement. There has been a significant increase in the number of plans which permit early retirement at the employee's election. The trend toward liberalizing early retirement provisions is also evident in conventional plans. The percentage of conventional plans which permit early retirement at the employee's election has increased from 31 percent in the 1953-55 study to 51 percent in this study."

MUNICIPAL AND STATE PLANS

Numerous State and municipal governments now provide retirement plans for their employees. In many cases such plans permit voluntary retirement regardless of age after 20, 25, and 30 years of service. A specific example of this exists in New York City's retirement system for municipal workers.

EARLY RETIREMENT BENEFICIAL TO GOVERNMENT AND EMPLOYEES

We believe adoption of 30-year optional retirement, regardless of age, would prove mutually beneficial to both the Government and the employee. We believe it would attract more competent personnel to the Government career service.

We further contend that improvement of working conditions, a decent standard of living, and an attractive retirement program would contribute greatly to reduced employee turnover.

LOSS OF QUALIFIED EMPLOYEES

Government agencies have frequently stressed early retirement would bring about a loss to the Federal service of many well-qualified employees. This is not only based upon a false premise but is an admission that the Federal career service is unable to compete with private industry in retaining well-qualified personnel. Actually in 1950 with only 1¼ million Federal employees on the Government rolls, the average length of service was 8.5 years. In 1958, with 2.1 million Federal employees on the Government rolls, the average length of service was 12.8 years. This was undoubtedly brought about by the substantial improvement of pay and working conditions during the intervening 8 years.

We maintain that well-qualified personnel, provided with decent working conditions and proper pay, and accorded humane and considerate treatment, will not necessarily leave the Federal service in large numbers after completing 30 years of service.

SUMMARY

In conclusion, Mr. Chairman, we urge an early and favorable report by this subcommittee. Again, we strongly recommend your consideration of our suggestion that all age limitations be removed, and that Federal employees be given the option of retiring after 30 years of service regardless of age.

We again express our sincere appreciation for your interest in this matter and for the opportunity to present our views.

Mr. DANIELS. Mr. Wallhauser?

Mr. WALLHAUSER. I am glad to have this testimony, Mr. Chairman.

Mr. McKAY, can you conceive of any time when the Government would have to pay off everybody at once?

Mr. MCKAY. Congressman Wallhauser, we can't possibly conceive of such a situation ever occurring.

Mr. WALLHAUSER. I know you have made this point before, and your figures are very helpful, and I thank you for providing us with them.

Mr. MCKAY. Thank you, sir.

Mr. DANIELS. Our next witness will be Mr. Daniel Jaspan, legislative representative, National Association of Postal Supervisors.

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

Mr. JASPAN. Mr. Chairman, I know the time is getting late, and in the interest of conserving your time, I would like to submit my statement for the record, and just talk about certain parts of it, if I may.

Mr. DANIELS. Without objection, the statement will be filed.
(The statement follows:)

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

Mr. Chairman and members of the subcommittee, my name is Daniel Jaspan. I am the legislative representative of the National Association of Postal Supervisors, composed of 26,000 members in all 50 States and Puerto Rico. Our membership is comprised of supervisors in the post office, including those in the maintenance and vehicle services.

Our members are grateful to the Members of Congress who have introduced bills providing for 30-year optional retirement, and to this committee for scheduling hearings so promptly. Similar bills have been introduced in each Congress for about 40 years. During the 87th Congress we thought that we were on the verge of success but the Congress adjourned before there was any final action.

We hope that the 88th Congress will be remembered as one that has accomplished many things, including the enactment of a bill permitting optional retirement after 30 years of service—and this is extremely important—with the option to be exercised by the employee only. We ask that this option be spelled out clearly in any bill reported out by this subcommittee and the full committee.

We represent a group that is particularly interested in this type of legislation. Most of our members have 25 or more years of service. A large number have reached the point where they can retire immediately if H.R. 2909, or a similar bill, is enacted into law.

When we appeared before the Senate Committee on Post Office and Civil Service to support a bill providing for 30-year optional retirement, we asked that there be no age floor written into the bill. It was felt by members of that committee who were interested in having a retirement bill passed that there would be a much better chance of passage with a floor of age 55. Feeling that a law permitting optional retirement after 30 years of service with a floor of age 55 was better than no legislation at all, we supported a bill with the age floor. Our members are still interested in a 30-year retirement with no age floor but, if this committee feels there is a better chance of having a bill enacted if there is an age floor we will support that bill. We hope that you give your serious consideration first to bills permitting optional retirement regardless of age.

It has always been our opinion that the Government should take the lead—and not be a follower—in improving employment conditions. Uncle Sam appears to have dropped behind some industries and some State and municipal governments in regard to fringe benefits. The military services permit retirement with annuities in much less than the 30 years we are asking. They do not contribute toward their retirement annuity as we do.

Thirty years of faithful service in any organization should entitle the employee to certain benefits. One of these benefits is optional retirement, with no reduction in annuity. Postal work entails physical and mental strain that cannot be compared with most employment. There is constant eyestrain. The dust in most post offices adds to the hazard of allergies and lung contamination. Even the hours of work are completely different from the hours of employment in practically every industry. Outside of letter carriers, who must arise very early in the morning to report for work, practically all employees work night tours of duty for many years. These conditions are not conducive to good health. This is reflected in the large number of disability retirements.

Even if the 88th Congress enacts a law permitting optional retirement after 30 years of service, with or without an age floor, we do not expect a rush of employees to retire. We feel that estimates given to the Senate committee by the Civil Service Commission (which will probably be given to this committee) and the Bureau of the Budget have been higher than the actual cost of carrying out the provisions of the bill. The administration, regardless of which party was in power, has never been prone to giving low estimates of cost, and this is probably no exception. We are sure that their figures are based on a much higher retirement rate than will actually follow the enactment of these bills. Even the enactment of a bill permitting 30-year optional retirement with no age floor at all will not make too much of a difference in the number of employees retiring.

We must bear in mind that an employee retiring after 30 years service is entitled to only 56¼ percent of his "high-five" years of salary. Very few postal employees have saved enough money on their salaries to be able to live on a little more than half their present earnings. This is borne out by the fact that fewer than 3,000 out of the 50,524 who retired in the year ending June 30, 1962, retired at age 55, even though the penalty was only 5 percent as compared with the former 15 percent. The longer employees remain in the service, the larger the annuities become. This is an incentive for most employees to work beyond the 30 years.

More than 4,000 employees did not retire until they reached the mandatory retirement age of 70, and only 6,774 retired at age 60, with 30 years' service, with no reduction in annuity. We firmly believe that the number retiring with 30 years' service will not increase measurably. Some members of the committee may wonder why, if the above is true, the various employee organizations have been trying, since the 1920's, to have 30-year optional retirement bills enacted into law. The answer is that there are some who will want to retire if they can do so without penalty. They will generally be (a) those who do not qualify for disability retirement, but are not enjoying good health; (b) those who are

not able to keep up with the changing times with increased automation, mechanization, and technological changes; (c) those who feel that the pressures under which they work are increasing too much; and (d) a relatively small group who will find other employment. The reason we say that this group will be relatively small is that they will generally be at least in their 50's and the job discrimination against people over 40 is a matter of record. The 30-year employees would probably be hardest hit by items (a) and (b) above.

It is also our opinion that the Federal career service will become more attractive to recruits if the prospective employees know in advance that they can retire in 30 years, even if they do not take advantage of the opportunity of retiring when it is offered to them. In 1933-34, it was possible to retire with 30 years of service, regardless of age, and you will find, if you search the records, that relatively few employees took advantage of the opportunity. There is no reason to believe that a larger proportion would leave the service now.

One of the byproducts of an earlier retirement, whenever it is exercised, is the opening of opportunity for younger personnel. And, actually, there would be a monetary saving in replacing employees in the top steps of their grades or levels with employees who would be in lower steps.

We understand that the average age of employees who enter the Federal service is the latter 20's. These people would be more than age 55 upon the completion of 30 years. It is possible that the average age of entry could be decreased by the promise of an earlier retirement target date.

We believe that the general morale would be improved if the employees knew in advance that upon the completion of 30 years of service they would be free to leave with a full annuity. This statement is based upon personal observation of those who have completed 30 years of service now, and have reached what is generally known as the first plateau, which is age 55. They feel greatly relieved when they reach the point where they can leave, even though it now entails a penalty of 1 to 5 percent. Their sense of freedom and security comes from the knowledge that they will be able to retire if the going becomes too rough, or if they do not feel physically or even mentally up to par. Actually, the knowledge that they can leave at any time often makes them better employees as they work with an unburdened mind.

In the postal service a 30-year optional retirement plan would certainly aid in recruitment. Young people who know that they must begin by working night hours for years hesitate to enter the postal service. They find that there are very few good tours of duty. The possibility of an earlier retirement looks good at a young age, although it often loses its appeal as that age is reached, unless there are definite reasons for leaving the service as outlined above.

We hope that this committee will report a 30-year optional retirement bill favorably to the full committee, and that such a bill will become law this year. We again stress the fact that such a bill should definitely indicate that the option can be exercised by the employees only.

Thank you very much for permitting me to express the views of our association before this committee.

Mr. JASPAN. One of the things we hope, Mr. Chairman, is that when this bill is reported out, as we hope it will be, the statement will be a part of the bill that the opinion will be exercised by the employee only.

We are very much interested in that. We do not want the employee to be forced out under any circumstances.

We also feel the Government should take the lead and not follow—generally they have been following in improving conditions. This would be one chance for them to take the lead in having 30-year optional retirement.

We don't expect any kind of rush to retire if the bill is enacted into law, even if there is no age floor, just a 30-year optional retirement. We feel the Civil Service Commission gave the Senate committee estimates that were too high and the Bureau of the Budget also gave this committee estimates that were much too high as to the number of people who would retire.

Back in 1933 or 1934 there was an optional retirement at 30 years, regardless of age, and there was no upsurge of retirements during

that time. Most of those who did go out were practically forced out of the service. But they had about a 1-year period——

Mr. DANIELS. When was that?

Mr. JASPAN. In 1933 and 1934, during the early days of the Roosevelt administration. I believe it was an Executive order at the time. Whatever it was, it was just temporary, for a little more than a year. And there was no age floor at all. Anyone with 30 years service could go out. And not many took advantage of it even then. The retirement records will show no upsurge at that time. Then it was discontinued. That was one of the depression measures to get people out of the service.

As we know, the estimates given by the Bureau of the Budget and the Civil Service Commission have never been on the low side.

I would like to point out too, Mr. Chairman and Mr. Wallhauser, that since the beginning of the retirement fund in 1920 there has been a greater number of dollars contributed by the employees than by the Government. The employees have contributed more than they have drawn out. They have contributed \$10-billion-plus and they have had disbursements of about \$9½ billion, which was less than the amount contributed by the employees. The fund would be in a much better shape if the Government had contributed its share, which it hasn't done over the years.

One more thing we should bear in mind is that an employee retiring with 30 years' service would just receive 56¼ percent of his high 5 years of work. That is a considerable cut and none of us is in a position to take such a deep cut unless we have our obligations all paid off and that is very unusual, even after 30 years, at the salaries paid to postal employees.

We feel that is another thing that would deter many people from retiring after 30 years of service.

Mr. DANIELS. Wouldn't they be more inclined to build up a greater annuity?

Mr. JASPAN. I am certain they would. I am very certain the tendency would be to stay on, because each year they stay on increases that annuity by 2 percent of the high five.

Mr. DANIELS. What would be the most major factor in causing a person to retire?

Mr. JASPAN. In my statement I mention what I figure would be the four factors. One of them would be (a) a group who do not qualify for disability retirement, but who are not enjoying the best of health; (b) there would be another group who are not able to keep up with the changing times, with increased automation, mechanization, and technological changes; (c) those who feel the pressures under which they work are increasing too much; and (d) a relatively small group who will find other employment.

The reason we say this last one would be a relatively small group who would find other employment is they would be in their 50's at that time and it is very difficult to get another job even after the age of 40 in normal times.

During the past few years there have been some opportunities to get other jobs in the 40's and 50's. But we feel in normal times a man of 50 would not get another job and he would be generally in his late 50's with 30 years of service.

Mr. WALLHAUSER. In other words, you make the point that most would retire for reasons in (a) and (b), don't you?

Mr. JASPAN. That is what I referred to as those who aren't quite sick enough for disability retirement and also those who can't keep up with the changes.

Mr. WALLHAUSER. Your opinion is that most would retire for those two reasons?

Mr. JASPAN. Yes, sir; I believe that would be the majority of people retiring. And even now by far the greatest number of retirees go out for disability, I believe about one-third. It is a very high percentage who retire on disability.

As an example, there were 75,000 disability retirements under Public Law 854, which was enacted in 1956, 75,000, and the nearest number to that is 40,000 who retired with 30 years' service at age 60. The total number of retirements during that period, from 1956 on, was 228,000. That means 75,000 out of 228,000 retired on disability. That is a pretty large number. And there would probably be a few more who would go out, because they can't qualify for total disability now, but they don't feel up to par.

Mr. Chairman, if there are any questions, I would be glad to try to answer them, but I don't want to take up any more time than necessary.

Mr. WALLHAUSER. Mr. Chairman, I think we should make it clear to all of the witnesses that the lack of attendance at this meeting does not mean a lack of interest on the part of the committee members. I know of several who spoke to me on our side of the aisle who had conflicting committee engagements that they were required to attend.

I am sure every member of the committee is interested in this problem.

Mr. DANIELS. I am sure that is the situation. I know that I had to be absent when this meeting started this morning because my presence was required before an executive meeting of the Committee on Education and Labor.

That undoubtedly is the situation with respect to all of the other members of the committee. I personally am acquainted with all of the other members and I know they are interested in the work of the committee, they are conscientious and dedicated men.

Mr. JASPAN. We hope there will be some action taken very soon, Mr. Chairman.

Mr. DANIELS. Mr. Jaspán, I want to thank you for coming here and letting the committee have the benefit of your views.

Mr. JASPAN. Thank you, Mr. Chairman.

Mr. WALLHAUSER. I want to point out the legislation proposed uses the words "may retire" in the bill, the proposed bill. You don't want us to change that to "must retire"?

Mr. JASPAN. That is right. I want to make certain it doesn't say "must retire." And I would like to see it spelled out in the bill, in addition to that, "at the option of the employee only." I would like to see those words in it, Mr. Wallhauser. We would feel a lot better.

Mr. WALLHAUSER. Maybe we can take care of it in the report or some other way.

Mr. DANIELS. The next witness is Mr. George L. Warfel, president, National Association of Special Delivery Messengers.

Mr. Warfel.

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

Mr. WARFEL. Mr. Chairman, my name is George L. Warfel, president of the National Association of Special Delivery Messengers of the U.S. Postal Service, affiliated with the American Federation of Labor-Congress of Industrial Organizations, and with the Government Employees' Council. Our association holds national exclusive recognition for representing all special delivery messengers under the President's Executive Order 10988.

Mr. Chairman and members of the committee, it is a pleasure to appear before you in support of your bill, H.R. 2909, and bills with similar intent. Our association has repeatedly endorsed the intent of this bill at our national conventions.

The present trend is toward earlier retirement, and it appears that enactment of this bill would help alleviate unemployment, which still runs around 5 percent, by making a place for younger personnel in Government service.

While our members desire the enactment of the provisions of the bill as written, the consensus of opinion is that they would be favorable toward enactment even if a slight upward adjustment of their retirement contributions was found necessary in order to provide this benefit, and keep the retirement fund adequate.

We, therefore, trust that the committee may favorably report the bill as the first step toward enactment.

Thank you for this opportunity to be heard.

Mr. DANIELS. The next witness is Mr. Jesse B. Manbeck, president of Columbia Typographical Union.

Mr. Manbeck, you may proceed.

**STATEMENT BY JESSE B. MANBECK, PRESIDENT, COLUMBIA
TYPOGRAPHICAL UNION NO. 101**

Mr. MANBECK. Mr. Chairman, my name is Jesse B. Manbeck of 1601 18th Street NW., Washington, D.C. I am now serving my sixth term as president of America's oldest labor union in continuous existence which was organized in 1815—Columbia Typographical Union No. 101 of the International Typographical Union.

Our union has for 148 years been sponsoring and pioneering benefits for the workers, including apprentice training, union pension plan, contract system of collective bargaining—even daylight saving time in 1866 by having earlier starting hours in summer than in winter.

I am testifying here today in support of H.R. 2909 which would enable Federal workers to retire after 30 years' service.

It seems to me to be very reasonable to permit retirement after 30 years' service regardless of age, as it is the length of your service that the employee is being retired from, not necessarily because of the age factor.

One of the big problems today in America is to have available jobs for our expanding population and anything that can be done to help make jobs available is a step in the right direction.

Retirement in these hectic days, after 30 years' service, opens up available jobs for our ever-growing younger generation.

There can be no reasonable objection to this enlightened step, as it will benefit our oldsters as well as our youngsters.

The sooner we create additional work opportunities for our younger generation—the sooner will they be contributing their share of the taxes needed to keep our country out in front.

It is my hope that your committee will recommend this legislation favorably and thus do your part in the forward march of our great Republic.

We must move forward lest we retrograde by standing still. Our present retirement law for Federal employees has long been in need of change in this respect. The social security laws were recently amended to liberalize them on the age question. It's time that the Federal retirement laws are also amended—and there is no time like the present.

Gentlemen, I thank you for permitting this testimony on this important matter, and it is my sincere hope that your committee will recommend this proposed legislation favorably.

Mr. DANIELS. Thank you, Mr. Manbeck.

STATEMENT OF THE NATIONAL ALLIANCE OF POSTAL EMPLOYEES

Mr. SMITH. Mr. Chairman and members of the subcommittee, I am privileged to appear before you today to present the views of the National Alliance of Postal Employees. My name is Ashby G. Smith, As president of this organization, I speak for more than 20,000 members located in 46 States and in 117 branches. We maintain office at 1644 11th Street NW., Washington, D.C. Accompanying me is Charles R. Braxton, administrative assistant for the National Alliance of Postal Employees.

Mr. Chairman, I appreciate the opportunity to appear before you in support of H.R. 2909, which provides for optional retirement after 30 years' service, irrespective of age.

We, of the National Alliance of Postal Employees, have long felt that this type of alternative should be made available to postal employees. Our reasons for clinging to this view are the rigorous nature of certain aspects of the work and the swiftly paced routine which attaches to the lighter functions. Referring to these lighter operations, A. T. Wellford has written:¹

* * * Much more contradictory for older people is work where continuous rapid action is required * * * a feature associated with many light operations.¹ Certain British surveys² conclude with the finding that the strain of arduous work impairs the ability of workers as they advance in age.

But aside from these authoritative expressions, certain other factors of employment enter into this question of optional retirement. The limited range of promotion opportunities relative to the work force size precludes the upward movement of all employees, however deserving or talented. Faced with advancing age, and the falling inclination for advancement, retirement looms as alternative release. It may well be that the employee will turn to some other occupational pursuit. In such an event, I seriously question the claim of economic loss. For if this employee has reached the point where his

¹ "Skill and Age, An Experimental Approach," A. T. Wellford, Oxford University Press.

² "Criteria for Retirement," Geneva Mathieson.

future in the service is empty of all save the paycheck and retirement, the likelihood of his enthusiastic response to the new production pressures become suspect. His adjustment to the new techniques, the machine operations and other job related skills, becomes relatively more difficult. I include in this reference not only the operating employee, but also the lower echelon supervisor whose advanced age makes difficult the assimilation of the highly formularized management routine.

The onslaught of automation and work measurement disciplines are a sharp departure from the operating methods with which these people have grown up in service. And make no mistake about the determination of management under the drive for improved production and efficiency to make every productive unit point in the one direction of higher output.

The same pressures apply to the infirm employee whose productive effort is impaired through the ravages of time, physical incapacities, and job-induced strains. For these workers, the job is devoid of extra financial meaning which this service requires under its new procedures. Shut off from the more exciting roles by age, and limitations for advancement, they are reluctant to undertake the new changes now being thrust upon them.

Mr. chairman, I seriously question the wisdom of withholding the alternative of H.R. 2909 from the relatively few employees who would or could accept the income reduction of retirement.

Some reference has been made to the precedent which this legislation would set for industry and the speculative nature of the residual gain which would accrue to the Government and the economy. On these references, I would like to comment, briefly. It is true that the Federal employee retirement system has long been regarded as a criterion in this area. It has served to clearly establish the awareness of human needs and to merge those needs into the economic good. However, it is also true that important features have been added by industry such as the noncontributory retirement plans and the preretirement programs. Both of these features encounter the element of cost. But industry, unencumbered by governmental patterns, has moved ahead to smooth out the transition to retirement. A survey³ in the last 1950's established through 70 replies from 113 corporations that half of those responding had preretirement programs underway. The other half were aware and sympathetic to the need. Thus, it is our belief that a precedent is not necessary all pervasive. Other enabling factors will be required for acceptance.

With respect to the questionable gain to Government and the economy by passage of this legislation, I think we are rapidly approaching the critical point of the serious unemployment problem. And while I would hope that the basic consideration of this legislation will proceed without this type of adverse emphasis, it is worthy of note that greater social and economic costs lie ahead if this problem isn't dealt with utilizing our total resources. I am aware that the relatively few persons who would leave the service would not be sufficient to seriously dent the unemployment problem we face. However, to the degree that new job opportunities appear and to the degree

³ "Survey of 113 Largest Corporations," by Tuckerman & Lange, and "The Meaning of Work and Retirement," Friedman & Houghurst.

that these retired people either spend their retirement or open other areas of additional spendable income, I can see nothing less than a net gain through additional employment, increase taxation sources and increased consumption.

Allow me to refer to your attention the views of Mr. Bernard Nossiter, an economic writer, as set forth in the Washington Post, August 5, 1962:

A great shift in tastes has taken place, reflecting the higher incomes of a large segment of the population. Consumers are spending relatively less on goods, such as cars, clothing, washing machines, and toasters; they are spending relatively more on services such as vacations, television repairs, and doctors. In 1948, consumers spent 64 cents out of every dollar of income on goods; in 1961 they spent only 55 cents on goods. But expenditures for goods have a higher multiplier than those for services; that is, \$1,000 spent on a car will have a greater effect in increasing jobs by increasing demands for parts, raw materials and the like than \$1,000 spent on doctors' services.

Mr. Chairman, Mr. Nossiter's reference is to items particularly attached to new family formations. His allusion to the multiplier effect of these purchases as against the purchases of services more identifiable with the needs of older persons should not be lost sight of in the rigid opposition to this measure. These younger workers replacing those employees desiring to step out of the service would bring greater flexibility and a greater adaptability to change. Their needs would stimulate consumption in an economy searching for such additional urging.

But more than these economic reasonings is the welfare of the employee whose only outlet must come with retirement. I would say that the administration, which itself places such a high premium on youth and energy, is moving against the changing fundamental meaning of work. As we move from an economy of scarcity and want into an era of abundance, the emphasis and drive shifts from the spur of existence to the desire or the sharing of the new economic and social offerings. Surely, the future holds more in store for these potential retirees than to grind out their days in a routine which holds no promise or to mute their voices in quiet resentment against the intensified pressures.

Thank you Mr. Chairman and members of the committee for your considered attention. It is my hope that in some way this presentation has contributed to your deliberations.

Mr. DANIELS. Thank you, Mr. Smith.

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

Mr. Halpern.

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

Mr. HALPERN. Mr. Chairman and members of the committee, I am most pleased to join other witnesses who have appeared before you to urge the adoption of legislation to allow employees with 30 years of service to retire on full annuities under the Civil Service Retirement Act.

I am the sponsor of one of the bills that are the subject of this hearing. My bill, H.R. 4318, would allow a Federal employee the option

to retire on a full annuity after 30 years of service, without any age restrictions. There are many bills to allow a full annuity after 30 years' service at age 55, and while I endorse these latter bills, I would give first preference to my own bill and similar ones which have no minimum age requirement.

It seems strange to me that the present administration, which has been so interested in other retirement programs and has recommended so many other progressive changes in social legislation, should find itself opposing these bills. I believe that as the employer of some 2½ million workers the Federal Government should remember the old maxim that charity begins at home.

I would like to frame my remarks in the form of comments upon the two major objections to these bills offered by the Civil Service Commission.

First, the Commission states that these proposals would add incentive to early retirement. Furthermore, it believes that removing the age limitation would result in a substantial loss to the Government from the early retirement of its most efficient employees, while the less efficient would tend to delay their retirement.

I would think that just the opposite results would be obtained from the enactment of these amendments. True, there might be some employees who could retire to accept positions in private industry, but they would only constitute a very small fraction of those eligible to retire after 30 years' service. There are very few individuals in the 50-and-over age group who are able to obtain employment today.

The great majority of those who would be induced to retire early would be: (1) those with physical handicaps insufficient to make them eligible for disability retirement, and (2) those who have either lost interest in their work or find themselves unable to keep up with the rapidly changing methods of performing their work which are now taking place and will continue to take place in the years ahead.

Make no mistake about it, the problems raised by automation and mechanization of work functions are and will continue to be serious, and they will fall most heavily on the older worker who is less adaptable to change. This process will be felt in Government work as well as in any other. The national office of the Social Security Administration in Baltimore is a good example. I am told that automation has already taken over there and that computers are now performing the hundreds of thousands of routine recordkeeping tasks that were once performed by office personnel. The Post Office Department has also been experimenting with ways of replacing men with machines in discharging the tremendous logistical undertaking of transporting the mail from border to border and beyond.

In any case, I think that these workers—the partially disabled and those who find themselves, so to speak, obsolete—should be granted the opportunity to voluntarily retire early on a full annuity. This could not help but benefit both the employees involved and the Government.

Most of these employees are unable to perform their duties with optimum efficiency, and they find themselves under severe mental and physical strains trying to keep pace with their work. Obviously it would be better for all concerned if these employees were granted the opportunity to step aside to allow younger, more resilient employees to take their places.

The Civil Service Commission's second major objection to these early retirement bills concerns their cost. Yet the Commission has admitted that it is unable to estimate how many additional early retirements would result from the enactment of these proposals. Its cost estimates, consequently, are based on assumptions. The Commission's cost estimate on the proposal to allow full retirement at any age after 30 years' service is based on the assumption that there would be a 75-percent increase in early retirements; while under the bills with the age 55 limitation, it is assumed that early retirements would increase by 25 percent.

I must say that the difference in these assumptions seems extremely large. In 1962 there were 2,980 early retirements under existing law. Approximately 8 percent of those eligible to retire before age 60 after 30 years' service chose to do so. At the present time there are approximately 35,000 Federal employees age 55 to 59 eligible to retire with 30 years' service. There are approximately the same number over age 60 with 30 years' service who are still working. And there are around 30,000 under age 55 with 30 years' service. I do not see how on the basis of these figures it should be assumed that early retirements would increase 75 percent by eliminating the age 55 requirement when there are only 30,000 in this group, while it is assumed that the early retirement rate would increase among the age 55 to 59 group by only 25 percent when there are 35,000 in this group.

Be that as it may, I think that there are important countervailing considerations besides the cost to the retirement fund. These include the more efficient services of the workers who would replace those too ill or too old to conform to change. These younger workers, for the most part, would be paid at lower salaries under the Classification Act than their predecessors because they would be further down on the promotion ladder or at a lower step-increase. In addition, some return to the Government would be realized in the case of those employees who retired to accept employment in private industry. They would be paying income taxes on their salaries and a portion of their retirement benefits.

Mr. Chairman, this legislation has received the unanimous endorsement of all of the Federal employee organizations I know of, including the American Federation of Government Employees, the National Federation of Federal Employees, the United Federation of Postal Clerks, the Patent Office Society, and the rest. I am most pleased to join them in urging you to issue a favorable report on this legislation.

Mr. DANIELS. Thank you, Mr. Halpern.

The next witness is Hon. James C. Healey of New York.

STATEMENT OF HON. JAMES C. HEALEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HEALEY. Mr. Chairman and members of the committee, I appreciate your courtesy in permitting me to testify on a subject very close to my heart—optional retirement from the Federal service after 30 years of employment.

As you know, I have given evidence of my interest in this matter by introducing one of the retirement bills under discussion, H.R. 7287.

Mr. Chairman, I favor a 30-year optional retirement law for many reasons, some humanitarian, some practical.

From a humanitarian point of view, let me say that after a man or woman has devoted 30 years of life to the arduous and demanding tasks involved in most postal and Federal jobs, he or she should have the privilege of retiring in reasonable comfort and security.

The Federal retirement system was rather late in coming into being. Employee organizations—notably the National Association of Letter Carriers—fought for more than 30 years to get a retirement act on the books. The Civil Service Retirement Act was finally signed into law as late as May 22, 1920. Ever since that time the retirement policies of the Federal Government have lagged significantly behind accepted standards in private industry. In my opinion, enactment of an optional 30-year retirement law would be an important step toward bringing Federal practices into line with those generally followed in the private sector.

There are other reasons why I think this important improvement in our retirement laws should be made. We are all concerned over the stubborn unemployment figures in this country which seem to resist all attempts to reduce them. Certainly, a 30-year retirement law would help this situation by creating vacancies in the Federal employment structure.

We are also disturbed by the lack of career inducements in the postal service. Recruitment of first-class young talent is becoming more difficult each year. I believe enactment of this legislation would alleviate this situation. Next to pay and promotional opportunities, the young person of today is most interested in the retirement provisions in the career he is about to choose. If we make the retirement program in the Federal establishment more modern and more generous, we shall be making the service more attractive to desirable young people.

There is a further practical reason, Mr. Chairman and members of the committee, which should be carefully considered at this time. Our present rigid retirement program in the Federal establishment is actually costing us more money than we should be spending.

It is demonstrable that men become more accident prone as they grow older. This is particularly true in the postal service, where the jobs are physically demanding.

Last year, 50,524 Federal employees retired.

It may surprise some members of this committee to learn that one-third of those retirements—16,728—were for disability. The average age of those employees retiring for disability was 55.4 years.

Actually, almost half of the 426,000 persons on the Federal retirement rolls—a total of 210,000—are receiving benefits under disability retirement.

If we permit postal and Federal employees to retire with full annuities before they reach the age when they are most accident prone, we shall be eliminating a great deal of unnecessary misery and we shall be saving a considerable amount of money as well.

I have just one point to add. The opponents of this legislation have painted a rather lurid picture of flocks of valued employees leaving

the Federal service en masse as soon as the retirement provisions are liberalized.

Mr. Chairman, I think this is a gross exaggeration. I think this for the simple reason that the annuities that we pay to our retired employees are too low to induce mass retirements.

No, the people who would take advantage of this law would be those who need it most. The study of geriatrics has shown us that some people age faster than others. It is these people—the tired, the early aged, the least robust—who will benefit most by this legislation. Those who are still vigorous—by and large—will prefer to stick at their jobs rather than try to subsist on the pittance which the Federal Government bestows upon its superannuated employees.

Mr. Chairman, this is necessary legislation. It is forward-looking legislation. And it is legislation that the Federal and postal employees need and deserve.

Thank you very much.

Mr. DANIELS. Thank you, Mr. Healey.

The next witness is Hon. Eugene Siler, of Kentucky.

STATEMENT OF HON. EUGENE SILER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. SILER. Mr. Chairman and members of the subcommittee, availing myself of this opportunity to give my support to my own bill, H.R. 124, I wish to express my gratitude for the invitation extended by you to make this statement.

As you know, my bill, H.R. 124, and several others of identical or similar provisions, would enable civil service employees to retire on full annuity at the age of 55 years after having served through a total tenure of 30 years. Naturally I am quite interested in this bill and hope you will give it favorable consideration, and I might add that thousands of loyal, devoted, and faithful civil service employees throughout the country are likewise interested in this measure and are entertaining the hope that it will eventually be enacted into law.

Mr. Chairman, it seems somewhat discriminatory that our armed services people have the right to retire after 20 years of service with restricted benefits or after 30 years of service with full benefits, regardless of age. In other words, our armed services regard the tenure of faithful service as the criterion for the privilege of retiring with benefits. The age has nothing to do with retirement qualification in the armed services. And certainly it seems that the same principle should prevail in Government service. Even if it should be necessary to make increased retirement charges on pay checks of employees, it would still be worthwhile to enact this law and give our civil service employees the right to retire after a 30-year tenure.

Hoping and trusting that you will give my bill and others similar to it your most careful consideration and thanking you again for your indulgence.

Mr. DANIELS. Thank you, Mr. Siler.

The next witness is Hon. Joseph P. Addabbo, of New York.

**STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. ADDABBO. Mr. Chairman, members of the subcommittee, I thank you for this opportunity to state my views in support of H.R. 3916, providing for full retirement benefits for civil service employees who have 30 years of creditable service and have attained the age of 55 years.

There are those who say that the elimination of the reduction factor which is now in effect for those retiring between the ages of 55 and 60 will greatly increase the number of optional retirements thereby costing the Federal Government large sums of money and the loss of the best personnel. With this assumption I do not agree. In my opinion, the person with a challenging job, adequate pay, and good health will continue in the work he has done through the years. However, I believe that any person who has given 30 years of service to his Government, paid into the retirement fund $6\frac{1}{2}$ percent of his earnings through these years, should have the option to retire without penalty, if he so desires.

As you know, the person who has served 30 years in the military service may retire after 30 years on full annuity and no portion of this person's salary has been paid into a retirement fund. In many cases of this kind we have full retirement at age 37 after 20 years service.

In my opinion, we owe this much to our Federal employees, and I urge the subcommittee to report this legislation favorably at an early date.

Mr. DANIELS. Thank you, Mr. Addabbo.

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

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

Mr. FINO. Mr. Chairman and members of the committee, I thank you for allowing me this opportunity to express my support for the legislation before you, including my bill, H.R. 3505, which would permit Federal civilian employees to retire with full annuities at age 55 after 30 years service.

Mr. Chairman I feel quite certain that this legislation is going to be approved during the present Congress. It has been a long time in coming. I have introduced bills along this line in every Congress that has convened since I entered the House 11 years ago.

I think that this legislation would benefit both the Federal Government, as an employer, and the employees who come under the Civil Service Retirement Act. It would certainly constitute an added inducement to attract capable workers into Federal service, much like the attraction of the early retirement offered by the military services, although there are vast differences between these two retirement systems. And it is, after all, not such a radical departure from existing law as many people think. All that my bill would do is eliminate the 1 percent a year reduction which is now made when a 30-year employee retires before reaching age 65. The cost of this proposal is not a tremendous sum. In actuarial terms, the Civil Service Commission estimates it would be about sixteen one-hundredths of 1 per-

cent of payroll. In other words, if it were necessary to do so, it could be fully financed by increasing the employee and Federal agency contribution under the retirement act from the present 6.50 to 6.58 percent.

I would imagine that if this proposal were enacted the vast majority of those who would exercise their option to retire at an earlier age would fall into two major categories: (1) Those who would retire for health reasons, and (2) those who had passed their peak of efficiency and had lost interest in their work. In both cases, their retirement would be beneficial to themselves and to the Government.

The present law is rather harsh on an employee in bad health or with a partial physical disability. In order to qualify for disability retirement, the employee must be totally disabled for useful and efficient service in his job. Unless total disability can be established the employee is denied a full annuity benefit until he reaches age 60 or 62.

Mr. Chairman, the figures do not bear out the assumption that early retirement is overutilized or abused. In recent years less than 10 percent of those who went on the nondisability retirement rolls were in the 55 to 59 age group electing a reduced annuity. Over 90 percent had reached full retirement age and a good many of them—a greater number than those who retire early—are forced to retire because of age. This indicates that the Federal service is not stocked with people eagerly awaiting retirement. On the contrary, most work until retirement age or beyond.

I doubt that this legislation would have any effect on most of these workers. But it would allow many with legitimate reasons to retire early and it would assist in attracting new workers into the Federal service. I, therefore, am in favor of its adoption and urge this committee's favorable consideration. Thank you.

Mr. DANIELS. Thank you, Mr. Fino.

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

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

Mr. MULTER. Mr. Chairman, I would like to express my appreciation for this opportunity to speak in support of the legislation before you to allow civil service retirement on a full annuity after 30 years of service.

For a number of years I have introduced legislation to amend the Civil Service Retirement Act to allow employees to retire at any age after 30 years service without reduction of benefits. This year I introduced H.R. 718 and H.R. 719 to this effect which are presently before this committee.

Although the bills I introduced carry no minimum age and would allow Federal employees with 30 years of service to retire at any age, I would also like to express my support for other bills before this committee to allow full annuities to 30-year employees at age 55. I would prefer to see one of my own bills enacted but I realize that they face stronger opposition from the Civil Service Commission than the age 55 bills. Since the latter bills obviously have much better prospects for approval, I am most happy to lend them my full and complete support.

These bills carry on a gradually evolved process of liberalizing the Civil Service Retirement Act to make it a more effective instrument in attracting and holding capable workers in the Federal service. When the Retirement Act was first enacted in 1920 it carried no provision for early retirement. The law was amended in 1930 to allow for optional retirement 2 years before the required age. It was later amended in 1942 to provide a reduced annuity at age 55 with an actuarial reduction of approximately 6.5 percent of the annuity for each year the employee was under 60 years of age. This actuarial reduction was itself reduced to 3 percent a year in 1948 and again to the present 1 percent a year in 1956.

The present bills, then, would carry out this process of liberalizing the law by eliminating the reduction in the annuity altogether, and bills of the type which I have introduced would in addition do away with the age 55 requirement to allow a full annuity after 30 years of service.

I do not think that this is such a tremendous change in the law. Its actuarial cost is only sixteen one-hundredths of 1 percent of payroll. Most employees who remain in service for 30 years would not exercise the option it offers to retire early, just as most do not exercise the present option. Only about 8 percent of those eligible to retire before age 60 with 30 years' service are doing so. The change made by these proposals—eliminating the 1 percent a year reduction—would not be enough of an inducement to increase this rate substantially.

At the same time, the proposals would improve the retirement system considerably for those who have good reasons to retire before age 65. The majority of those who retire after 30 years' service before age 60 do so for reasons of ill health or inability to keep pace with their duties. It is an unfair penalty to reduce the retirement benefits of these workers as the present law requires.

Moreover, I feel that the cost argument against these bills has been overemphasized. It is true that the cost to the retirement system will be increased slightly. But it is also true that the Government will benefit from many of these early retirements in a number of ways. They will allow the Government to replace older, in some cases partially disabled, workers with younger more vigorous workers. These younger workers will in almost all cases be paid less than their predecessors for performing the same duties. And even in the case of those older workers who retire to take another job, the Government is going to realize some return of its funds in the form of income tax that they will pay on their combined salaries and retirement benefits.

I believe that these amendments for full annuities after 30 years of service—with or without the age 55 requirement—would improve the Civil Service Retirement Act considerably at very little cost. They would improve the situation of those choosing to retire before age 60 and they would benefit the Government, first, by making it possible to replace workers who are partially disabled or who have slowed down in their work, and secondly, by liberalizing the retirement system so that it would become a more effective instrument for recruiting capable people into the Federal service.

Mr. DANIELS. Thank you, Mr. Multer.

The next witness is Mr. Dillard B. Lasseter.

STATEMENT OF DILLARD B. LASSETER, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF ASCS COUNTY OFFICE EMPLOYEES

Mr. LASSETER. Mr. Chairman, the National Association of ASCS County Office Employees of the U.S. Department of Agriculture, generally known as NASCOE, wishes to go on record as strongly in support of H.R. 2909, the so-called 30-year retirement bill.

We believe that an employee who has spent 30 years of his best working years, in the public service should be permitted, if he so desires, to retire without penalty in the form of a reduced annuity. There are precedents in the military and elsewhere in the Federal service for basing eligibility for an annuity upon a specified length of service regardless of age. The provision in some bills which would limit eligibility for retirement on full annuity after 30 years of service to those who have attained age 55 may be a necessary compromise to obtain enactment of this desirable legislation. We would prefer, however, to see the age limit removed.

While we believe that this option should be made available, we further believe that a relatively small group, perhaps 10 percent, from among those retiring each year would take advantage of it. Most employees with 30 years of service have personal obligations and a deep-seated interest in their work which causes them to put off retirement until well past age 60. The number forced to retire at age 70 consistently exceeds the number with 30 years of service who elect to retire before age 60. Removal of the financial penalty for retiring before age 60 should not increase this number very much.

The value of the proposed legislation would lie in its application to individual cases. When an employee with long service has personal reasons for wishing to retire, it is better for him and the service to let him go and not put obstacles in his way. In some cases, early aging, poor health, or other causes may make him unable to do good work, at the same time his condition may not be serious enough to make him eligible for disability retirement. The legislation would also help relieve situations where employees with long service may be let out in reductions in force.

While we believe, as stated above, that relatively few would exercise the proposed option, the fact that it existed would have a very salutary effect on the attitudes and morale of all those covered by the Retirement Act. It would give them an added sense of security; it would give them an added sense of freedom. As your committee well knows, there is widespread interest in this legislation among employees. It has been a major goal of employee organizations for a number of years.

We urge favorable action on H.R. 2909 by your committee.

Thank you.

Mr. DANIELS. The next witness is Mr. Ross A. Messer.

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

Mr. MESSER. Thank you, Mr. Chairman and members of the committee, for this opportunity to appear before you today. My name is Ross A. Messer. I am legislative representative for the National Association of Post Office and General Services Maintenance Employees, representing the building maintenance employees of the Post Office Department and General Services Administration, with members in the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia. Our national office is located in room 624, Victor Building, 724 Ninth Street, NW., Washington, D.C.

I also wish to express my appreciation to you, Mr. Chairman, and the members of the committee, for scheduling hearings on H.R. 2909 and other related bills, to provide retirement on full annuity after 30 years of service.

We wish to thank Congressman Olsen, a member of this committee, and the many other Members of Congress who have introduced bills on the same subject.

Through our national convention, we have been mandated to seek legislation for the retirement of our members after 30 years of service on a full annuity, without reduction due to age.

H.R. 2909 would allow Federal employees to retire upon the completion of 30 years of service, regardless of age without a reduction in annuity.

This association strongly endorses the provision of H.R. 2909.

Mr. Chairman and members of the committee, I would like to again express my thanks to you for the opportunity to appear before you today.

Mr. DANIELS. The next subcommittee meeting will be held Wednesday, July 31, at 10 a.m.

(Thereupon, at 12:03 p.m. the hearing was adjourned, to reconvene at 10 a.m. Wednesday July 31, 1963.)

(The following was subsequently supplied for the record:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 25, 1963.

HON. JAMES H. MORRISON,
*Chairman, Civil Service Subcommittee, Post Office and Civil Service Committee,
House of Representatives, Washington, D.C.*

DEAR CHAIRMAN MORRISON: Enclosed is a telegram from Mr. Ralph Hudson, legislative chairman, Long Beach Postal Union, National Postal Union, Long Beach, Calif., expressing support of H.R. 2909, the Olsen bill, which would grant civil service employees retirement after 30 years' service.

It is my understanding that your subcommittee is starting hearings today on retirement bills. Therefore, I request that you give consideration to the interest of members of the Long Beach Postal Union in the above-mentioned bill.

Thank you for your courtesy and cooperation.

Sincerely yours,

CRAIG HOSMER, *Member of Congress.*

LONG BEACH CALIF., *July 25, 1963.*

Congressman CRAIG HOSMER,
House Office Building, Washington, D.C.

Long Beach, Calif., Postal Union NPU strongly urges you to appear for and offer testimony before House Post Office Committee in support of the Morrison bill H.R. 2909 for 30-year retirement of postal employees and Federal workers. Please acknowledge.

RALPH HUDSON,
Legislative Chairman.

CIVIL SERVICE EMPLOYEES RETIREMENT AFTER 30 YEARS' SERVICE

WEDNESDAY, JULY 31, 1963

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

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

Mr. MORRISON. The meeting will come to order.

The committee this morning is resuming hearings on H.R. 2909 and related bills to grant civil service employees retirement after 30 years of service.

We are pleased to have as our first witness this morning a distinguished member of our subcommittee, the Honorable Dominick V. Daniels, author of H.R. 2477, which has been referred to our subcommittee and which provides for full retirement benefits following 30 years of service.

We will be delighted to hear from you, Mr. Daniels. And I would like to say for the record that I have served on several subcommittees with my distinguished colleague here, and I know of no member who is more conscientious or more dedicated to serving his people than Mr. Daniels.

We are glad to have you here and will be delighted to hear from you at this time.

STATEMENT OF HON. DOMINICK V. DANIELS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. DANIELS. Thank you, Mr. Chairman, for those very kind words.

Mr. Chairman, I very much appreciate the opportunity to testify today in support of H.R. 2909, which would amend the Civil Service Retirement Act to permit the voluntary retirement of employees after 30 years of service, regardless of age, without a reduction in annuity. I have also introduced a similar measure, H.R. 2477. I believe that such legislation is but a continuation of the progressive and enlightened policies which the Government has pursued as the Nation's largest employer.

I have heard this proposal criticized on the grounds that it would impose a considerable additional cost burden upon the Government and hence upon the taxpayer as well. According to figures which have been submitted to the Congress by the Civil Service Commission these estimated annual costs range from \$23 million to \$67 million. Such

criticism, I feel, is based upon an erroneous assumption; namely, that large numbers of people would retire at 55 after 30 years of service.

The Civil Service Commission has estimated that the enactment of my bill or H.R. 2909 would result in 75 percent more optional retirements below age 60 than would occur under present law. Such an assumption neglects certain facts. For example, according to the 1962 Annual Report of the Civil Service Commission, 6,780 persons voluntarily retired at age 60 after 30 years' service when there is no reduction in their annuities. In 1962, almost one-half that number, 2,980 employees, retired at age 55 following 30 years' service and sustained a 5 percent reduction in their annuities. These statistics would indicate that there would be no great increase in the number of persons who would retire with 30 years' service if there were no reduction in their annuities.

A more compelling reason to question seriously these cost estimates is the fact that low-salaried employees would replace those who would retire voluntarily after 30 years of service. This is particularly true in the Post Office Department and in the lower grades under the Classification Act system. In my opinion, we should determine from representatives of the Commission an estimate of the amount of savings which would occur in this type of turnover and deduct such savings from the estimated costs of the legislation.

H.R. 2477, in eliminating the reduction in annuities for persons under 60 years of age, would be affecting people who are, for the most part, in their peak years of usefulness and earning power. Most would still have families to support and children to educate. Their financial responsibilities are probably greater than at any other time in their life. Consider, for example, the high costs of college education today. Because of the increasing demand for teachers and for higher education facilities, tuition costs have risen astronomically. College education, which is becoming more and more of a necessity, has also become an extremely costly venture, especially for a family with more than one child. All this being the case, it is highly unlikely that a man with college-age children will desire to retire at this age in life. Under present circumstances, then, few men of 55 are desirous of living on only a portion of their regular salary.

These same people also realize that they could be building up their retirement credits to the 80 percent limit, which takes more than 40 years to accomplish. If these persons are only in their fifties, it seems to me that most would certainly elect to reach this 80 percent level. In short, then, it is not very probable that the average familyman of 55 will want to retire, even with the removal of the 5 percent reduction in annuity.

Currently, only 4.4 percent of Federal employees achieve a minimum of 30 years of service. Of this number, only a small percentage retire in their fifties. In my opinion, H.R. 2909, if enacted, will not substantially increase the number of people under 60 who retire, and hence will not impose any considerable additional cost burden upon the Government.

But, if the average employee would not take advantage of H.R. 2909, who, then, will benefit by this proposed legislation? Here, Mr. Chairman, is where health factors enter the picture. Although most

people in their fifties are still in their prime, there are some who age more rapidly than others and some whose health begins to fail earlier in life. These in my opinion are the people who would make most use of this change in the present law.

The enactment of H.R. 2909 would not only ease the transition into retirement for these people, but it would also increase governmental efficiency by encouraging retirement by those people who have passed their peak of efficiency, thus facilitating the entrance of younger persons into the civil service. Jobs will be opened to others who could perform them more efficiently and effectively, and greater opportunities would be opened to young people just entering the labor market. In light of our present unemployment problems, such a program is wholly desirable.

The Federal Government is presently the largest "business" in the Nation, employing about 21½ million civilian citizens. Given its important position, it must take the initiative in facing the problems of a highly technical society. It should be our policy to encourage efficiency and to increase opportunities for useful employment.

The Federal Government must provide the leadership necessary in meeting the current economic problems and needs of the United States.

By facilitating the retirement of employees whose efficiency decreases earlier in life, whose continued service becomes a burden upon both them and their employer, H.R. 2909 is an excellent way of providing this managerial leadership.

Mr. MORRISON. Thank you, Mr. Daniels.

Any questions?

Mr. WALLHAUSER. I want to join with the chairman in congratulating Mr. Daniels. He comes, as I do, from the State of New Jersey and is a distinguished colleague of mine.

I had some questions to ask him, but he raised very good questions and gave very good answers, I would say, and therefore I will not ask him anything further than his own line of presentation has brought up. I followed every word of it and will consider it carefully, and wish to thank him for giving us the benefit of his views.

Mr. DANIELS. Thank you.

Mr. MORRISON. The next witness will be the Honorable John W. Macy, Jr., Chairman of the Civil Service Commission, who is accompanied by Mr. Andrew Ruddock, Director of the Bureau of Retirement and Insurance.

We are certainly happy to have you once again, Mr. Macy, both you and Mr. Ruddock. Both of you are recent visitors on a number of occasions and once again we are happy to have you.

STATEMENT OF JOHN W. MACY, JR., CHAIRMAN OF THE U.S. CIVIL SERVICE COMMISSION; ACCOMPANIED BY ANDREW RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE

Mr. MACY. Thank you, Mr. Chairman. I appreciate this opportunity to present the views of the Civil Service Commission on the proposed legislative changes in Federal retirement embodied in H.R. 2909.

The Commission's report of May 16 on this and 16 other House bills pointed out that H.R. 2909 as drafted is not a specific amendment to the

Civil Service Retirement Act or any other law. It would affect every Federal civilian retirement system and grant civil service employees of the U.S. Government in general the option to retire on full annuity at any age after 30 years of service. This proposed option would not extend to employees of the District of Columbia who are covered by the Civil Service Retirement Act. We assume these results are not intended and that the proposal under consideration today contemplates direct amendment to the Civil Service Retirement Act.

The Retirement Act now permits an employee with 30 years of service to voluntarily retire on full annuity at any time after age 60. A further provision permits the 30-year employee to retire at any time after age 55, but with the annuity reduced by 1 percent for each full year he is under the age of 60. H.R. 2909 proposes to eliminate all minimum age requirements for early optional retirement, permitting 30-year employees to voluntarily retire on full annuity at any age.

The Commission's May 16 report states the administration's official position and best judgment on this proposal, as well as on the alternative proposal in other House bills to retain the minimum age 55 requirement, eliminate the age reduction, and permit optional retirement on full annuity after age 55 with 30 years of service.

I suggest, Mr. Chairman, that this report of the Commission of May 16 be incorporated in the record.

Mr. MORRISON. Without objection it is so ordered.

(The report referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 16, 1963.

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

DEAR MR. CHAIRMAN: This refers further to your requests for Commission comment and recommendation on H.R. 124, 327, 337, 376, 718, 719, 1785, 2013, 2046, 2051, 2477, 2540, 2865, 2909, 3505, 3916, and 4318, bills to authorize retirement, under varying conditions, of civilian employees with 30 years' service.

The majority of these bills contain no provision exempting their resulting benefits from the restriction on use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85-844 (72 Stat. 1064). Enactment of liberalizing retirement legislation not containing an exception to said restriction would mean that the benefits provided by such legislation could not be allowed unless and until Congress appropriates money to cover the added cost.

H.R. 337, 2013, 2046, 2051, and 2909 propose that any civil service employee of the "U.S. Government" may voluntarily retire regardless of age after serving 30 years, without any reduction in annuity rate because of earlier retirement. Since these bills do not propose amending the Civil Service Retirement Act, the privilege would be granted, not only to Federal employees subject to that act, but those under any other civilian retirement system covering employees of the United States, such as the system for Tennessee Valley Authority, Foreign Service, etc. Also, the option would not extend to those employees of the District of Columbia Government who are within the civil service retirement system. It is not believed these results are intended.

H.R. 327, 719, 2477, 2865, and 4318 would accord the 30-year retirement privilege to all employees under the Civil Service Retirement Act and to such employees only. H.R. 718 and 2540 are to the same effect but contain no provision excepting the benefits from the cited appropriation requirement.

H.R. 124, 1785, 3505, and 3916 propose 30-year option retirement on full annuity at or after age 55. Under H.R. 376, the 30-year employee could retire at any age on reduced annuity.

The Commission can comment on the 30-year optional situation only as regards the Civil Service Retirement Act which this office administers. Opinions and recommendations hereinafter expressed are therefore based on the premise that any legislation considered would apply only to employees subject to the Civil Service Retirement Act.

The present law gives an employee who has served at least 30 years the option of retiring on full annuity at any time after attaining age 60. Further provision is made for an employee with 30 years' service to retire after attaining age 55, but the annuity in such case is reduced because of such earlier retirement.

These options have been in the Retirement Act since the amendment of January 24, 1942. Under this amendment, the reduction for under-60 retirement was based in each individual case on the present actuarial worth of an annuity allowable were the employee 60 years of age; the actuarial reduction under this law amounted to slightly more than 6 percent for each year the employee was under age 60 at retirement date. The computation plan was liberalized by act of February 28, 1948, and the annuity of a person retiring under this provision after that law's effective date (April 1, 1948) was reduced by only one-fourth of 1 percent for each full month (3 percent a year) the retiring employee was under age 60 at the time of separation. The act of July 31, 1956, effective October 1, 1956, further lowered this reduction factor so that the annuity of the 30-year employee now retiring between 55 and 60 is reduced by only one-twelfth of 1 percent for each month (1 percent a year) he is under age 60 at retirement.

As a practical matter, it must be recognized that removal of the reduction provision and of the age limitation would add incentive to early retirement. Our actual experience in the past illustrates this. The increase in 55-30 optional retirement cases since the reduction factor was cut in half in 1948 and the further upsurge when the factor was again reduced in 1956 are shown by the following chart:

Fiscal year:	55-30 cases	Fiscal year—Continued	55-30 cases
1943-----	307	1953-----	1,585
1944-----	287	1954-----	1,794
1945-----	402	1955-----	1,659
1946-----	367	1956-----	2,053
1947-----	362	1957-----	4,275
1948-----	480	1958-----	4,154
1949-----	1,240	1959-----	2,826
1950-----	1,122	1960-----	2,583
1951-----	1,306	1961-----	3,136
1952-----	1,354	1962-----	2,980

There is little doubt but that removal of the reduction factor and the age limitation would result in a material upsurge of retirement under this provision.

The Commission believes that removing the age limit on optional retirements would result in a substantial loss to the Government from the early retirement of its more efficient employees, while the less efficient would tend to delay their retirement. In other words, those persons who would avail themselves of the option are those with ambition who believe they could better themselves in private life with the annuity as basic income, while the less ambitious employees would take the easier path and remain until reaching the regular optional age or longer. This would be particularly true with respect to the professional and scientific groups and also to the trades and skilled occupations. There would be created a group of persons who could compete unfairly in the labor market against persons dependent entirely upon their earnings.

We have seen in recent years a fast-growing interest in the problems of older people. One aspect of this interest is expressed in a belief that, for the economic good of our country, it is important to utilize the skills and experience of older people rather than to waste them in retirement. Some stress is placed on the psychological importance of keeping older people engaged in useful and needed work.

A staff retirement plan like the civil service retirement system can be justified only when it produces results which are of mutual benefit to the employer and the employees. A provision allowing the 30-year employee to retire regardless of age produces only a unilateral benefit. The Commission believes that the present 55-year age provision as regards optional retirement is liberal and cannot, after thorough consideration of the matter, find justification for removing this limitation. The Commission therefore is strongly opposed to enactment of any legislation removing the age requirement.

The Commission also sees no justification for removing the 1-percent-a-year annuity reduction for retirement between ages 55 and 60. Removal of this reduction would merely be legislating an unwarranted annuity increase for early retirement eligibles and encourage some additional early optional retirements. No reciprocal advantage would accrue to the Government as employer; it would sustain instead, only added retirement costs and increased operating expenses in respect to recruiting and training of replacements for additional employees retiring because of the enriched early retirement option. The proposal to remove the age reduction thus lacks the basic mutual-benefit element necessary to a sound retirement liberalization.

The Commission is unable to estimate how many additional retirements would result from enactment of either of the proposals involved in these bills. Cost estimates must therefore be based on assumptions. If it is assumed that enactment of provision for full annuity after 30 years, regardless of age, would result in 75 percent more optional retirements below age 60 than would occur under present law, it is estimated that the annual cost, on the normal cost-plus-interest basis, would be increased by 0.47 percent of payroll, or \$67 million, with the deficiency increased by \$943 million. If it is assumed that enactment of provision for 30-year retirement on full annuity at or after age 55 would produce 25 percent more early optional retirements than under present law, it is estimated that the annual cost, on the normal cost-plus-interest basis, would be increased by 0.16 percent of payroll, or \$23 million, with the deficiency increased by \$328 million.

For the reasons given, the Commission recommends that adverse action be taken on these bills to further liberalize the optional retirement provisions of the Civil Service Retirement Act.

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

By direction of the Commission:

Sincerely yours,

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

Mr. MACY. As administrator of the Civil Service Retirement Act, the Commission is vitally concerned with maintaining a retirement plan which will be sound and equitable both to the employee and to the Government as employer. Preserving this balance of interests is important if the retirement plan is to remain an effective instrument of Federal personnel management. After weighing the advantages and disadvantages from both employee and Government points of view, and considering the broader social and economic problems generated by our Nation's increasing retired population, the Commission has concluded that optional retirement after 30 years and with no age requirement represents legislation which would not be in the public interest.

It must be recognized that removal of the age limitation or of the age reduction would add incentive to early voluntary retirement. Our actual experience in the past illustrates this. Retirement at age 55 with 30 years of service more than doubled after the reduction factor was lowered in 1948. As I recall, it was lowered from 3 to 1 percent in 1948. For 2 years following the 1956 liberalization the rate of early optional retirements again doubled. This rate has since leveled off at less than a 50-percent increase over the pre-1956 experience.

The loss to the Government by the early retirement of its more efficient employees would have some impact—though relatively small—on the economy at large. These individuals leaving Government employment at comparatively younger ages would be in a position with their full retirement benefits to compete unfairly in the labor market against persons dependent entirely on their earnings.

Mr. MORRISON. Would you yield at that point?

Mr. MACY. Yes, sir.

Mr. MORRISON. How do you distinguish that impact on our economy from the impact of persons coming out of the military services after 20 years of service?

Mr. MACY. My view is that the military retirement system is a totally different system.

Mr. MORRISON. There is no question about that.

Mr. MACY. In that it is based on a different set of circumstances, a different form of service, and is not based on the full sweep of a career, the full sweep of a career being 30 or 40 years. It does not have a date set as the date of retirement. It is a retirement system designed to cover an individual who faces periods of great risks, who is subject to assignment to various parts of the world.

As far as the economic impact is concerned, my view would be that the military retiree would likewise have an impact on the economy in that he would be in a position to compete, at the time he retires, with other individuals, and compete with the advantage of income from his retirement whereas others in the market would be dependent on their total earnings.

So I think the situation would not be different on that point, and certainly the number of military retirees would be greater than the number of civilian retirees under this proposal.

Mr. MORRISON. Let us say that a military man goes in service early in life and gets out after 20 years, he would be under the age of 45 and would be eligible for employment in a great many industries. They can get into, you might say, the economic pipeline of private employment whether in industry or some other line of endeavor. But nevertheless, using the same argument you used about the economic impact, it seems to me they have far greater impact than the small percentage of Federal employees who would be eligible for retirement in comparison with other employees. The military retirees by far would have the greater economic impact, and, frankly, I do not see anything wrong with the military system of retirement after 20 years of service. I think that is as it should be. In my humble opinion it helps make them better citizens by their getting other employment, and I think it helps make America a greater country. It seems to me that is as it should be. If it were in my power to change it, I would not.

Likewise, when a person serves the Federal Government, even if he went to work for the Federal Government at 20 years of age and worked 30 years, he would be 50 years of age and he would not have the same impact because he would be over the 45-year age limit set in many industries and would not be eligible for any job.

Mr. MACY. The chances are if he retired at age 50 after 30 years of service economically he would have to have some additional income for the period that he had ahead.

Mr. MORRISON. From the standpoint of job competition, here is a person retiring at 50 years of age and he would not be actively competing for thousands and thousands of jobs in various industries because most of them have gotten down where they will not employ a man over 45 years of age.

Mr. MACY. Of course we have a national program endeavoring to encourage employers not to impose rigid age limitations. The President's program is designed to give the older people greater opportunities.

Mr. MORRISON. I want to put in my application right now. I have battled with many employers in many industries, particularly in my district, and have told them an arbitrary age ceiling is an injustice.

Mr. MACY. The Congress, in its judgment, has removed any age limit so far as Federal employment is concerned, so this is not a factor in the Federal field and we would hope other employers would follow this example.

Mr. MORRISON. I think that is certainly a great step forward. But the feeling that is generated is because a man has retired, what should he do, fade away? Regardless of what he is retiring from, a man who has been active and diligent in his work, whatever it may be, after a given number of years, gets geared up to being a useful citizen and to working for a living. If he is expected to be put out on the grass and forced to stay on the grass whether he wants to or not, I think sometimes that works a terrific injustice.

Mr. MACY. I agree. That is why I do not think there should be an incentive to retire earlier.

Mr. MORRISON. That is what this bill does. It makes it optional.

Put it this way: They talk about retiring where a person is gainfully employed and satisfied with his job. One of my main jobs in taking care of my constituents is to try to help them when they want to stay on and continue working and yet they are being pressured and sometimes forced into early retirement against their will. There is one particular industry in my district that employs a large number of persons and it was published in the paper that 300 employees would be asked to retire prematurely. The company has a great many problems and I do not think they arrived at that decision because they wanted to. I think they did it reluctantly, and I think economic forces made them do it. But that is an illustration of the very fact I think where a person has an option sometimes he does not use it. If they do not have an option they think they are entitled to it, but if you give it to them they do not use it and probably would continue working for the Government. Many of those to whom I have talked feel they want to have the privilege whether they use it or not.

You have had a tremendous amount of experience with this problem. You are very knowledgeable and diligent and I think a dedicated and a fine administrator, but, basically, where do you see such a great problem arising? Frankly, I cannot see it that way.

Mr. MACY. My feeling is that we would, by enactment of this legislation, provide an incentive for earlier retirement, an incentive for retirement after 30 years in the early fifties when most of us are in our prime, and those that are particularly valuable to the Government might very well find it attractive to take the full annuity they would be authorized and to enter the labor market where, if they have particularly desirable skills, there would be a need for them and they would be able to continue receiving their annuity and also secure a salary from a private employer.

I believe this is a counterincentive as far as the Government's point of view is concerned. And I think the plan at the present time is sufficiently liberal to exercise this option at age 55, because the reduction is only 5 percent in the annuity if one retires after 30 years at 55. The reduction is relatively small. It seems to me any further liberalization would only serve to build up the incentive for retirement.

Our present experience shows about 3,000 people are using the age 55 option with the 5-percent reduction. This is out of 35,000 who are eligible for retirement. So at the present time roughly 8 to 9 percent of those eligible for this option are taking it.

Mr. MORRISON. And what percentage is that of the total employment?

Mr. MACY. It would be infinitesimal out of the roughly 2½ million covered by the act, but out of those eligible to retire who could use the option as it now exists it would be 8 to 9 percent.

Mr. MORRISON. If it would be infinitesimal in regard to the total employment, how does it become a serious problem?

Mr. MACY. It becomes a problem because of the potential loss of valuable people who would respond to this added incentive at an age of 52 or 53, whenever it might be, when 30 years were completed.

Mr. MORRISON. Do you not agree with me that we have administrators and department heads and bureau chiefs who have great persuasive powers and could probably go a long way in eliminating that from happening by telling their personnel how much they appreciate their services and asking them to serve their country longer, following the New Frontier spirit that it is not so much what the country can do for you but what you can do for your country.

Mr. MACY. We are long in persuasion and we will certainly apply it, but our belief is, based upon previous experience when we have had liberalization in this area, there would be an increase in the outflow, and the concern is that some of the valuable skills the Government has developed over a career period will be lost to other employers.

Mr. WALLHAUSER. Mr. Chairman, I do not like to interrupt before Mr. Macy has had an opportunity to complete his statement, but as long as we are on this point I wondered what his reaction to a question would be as to the average age of entrance of employees in the Federal establishment, which I understand is about 27?

Mr. MACY. That is correct.

Mr. WALLHAUSER. So that 30 years of service would bring that average person up to 57 years of age, at which point it would be most difficult to find employment in private industry.

In your opinion, would legislation providing for optional retirement after 30 years of service at age 55 be an improvement over the proposed legislation?

Mr. MACY. Yes, sir; there are some extreme instances where a person has gone to work at age 18 and would be eligible for retirement at age 48, but the figures you speak of are representative of the average experience.

Mr. WALLHAUSER. In your statement—I will not take up much time because I think you should be permitted to complete your statement—you say the initial retirement rush levels off after a year or two?

Mr. MACY. That is right, but with about a 50-percent increase over the preliberalization period. That has been our experience in previous liberalizations.

Mr. WALLHAUSER. What figures did you use in regard to this proposed legislation?

Mr. MACY. I will get to that. We estimated there would be an increase of 75 percent if there were no age limitation and roughly 25 percent if it was held at age 55. But I believe I cover that further in my statement.

Mr. WALLHAUSER. Thank you.

Mr. MACY. There is no demonstrable social need for further liberalizations in the optional retirement provisions. Indeed, the trend from the standpoint of social needs runs in the opposite direction. In recent years, a fast-growing interest has developed in the problems of older people, who comprise an ever-increasing portion of our population. One aspect of this interest is expressed in the belief that it is important for the economic good of our country that the skills and experience of older people be utilized rather than wasted in retirement. Medical authorities place some stress on the psychological importance of keeping older people engaged in useful and needed work as long as they are physically able to be employed. Retirement after 30 years of service without regard to age runs directly counter to this belief. It is inconsistent with the trend in our population toward a longer lifespan with an attendant lengthening of the average productive work life.

There are no reliable data on which to base a precise cost estimate of either of these proposals. Enactment of either proposal could definitely be expected to result in a material increase in the rate of early optional retirements. The extent of the increase in either instance can only be estimated. We have assumed that enactment of the 30-year, any-age, provision such as proposed by H.R. 2909 would result in 75 percent more under-60 optional retirements than under present law and would increase the annual cost of the retirement system by \$67 million, with an increase of \$943 million in the unfunded liability. On the proposal to remove the age reduction factor for retirement between age 55 and 60, we have estimated that 25 percent more under-60 retirements would occur than under the present law. This would result in an increase of \$23 million in the annual cost of the retirement system, with an increase of \$328 million in the unfunded liability. If, in either instance, actual experience showed a greater or smaller increase in the incidence of early retirements, costs would, of course, be correspondingly higher or lower.

I am sure the subcommittee is aware of the pending Commission legislative proposal to improve the financing of the civil service retirement system, introduced by Chairman Murray as H.R. 6366 and by Representative Corbett as H.R. 6412. The proposal is a long-range plan under which agencies would make gradually increasing supplemental contributions, growing from one-half of 1 percent of payroll in 1965 to 11 percent by 1986 and remain at that level thereafter. Based on present estimates, this supplementary contribution schedule, together with the regular matching agency contributions, will stabilize the growth of the unfunded liability—estimated at \$34 billion as of June 30, 1963—by the year 1986 and from that point forward would permanently finance the system on the congressionally approved normal cost-plus-interest basis. This entire financing plan is founded upon benefit provisions now in force, and carries with it a prior appropriation requirement with respect to any new or increased benefits legislated after fiscal year 1963. Any such new or increased benefits would not accrue or become effective until the full amount of the resulting estimated increase in the unfunded liability had been appropriated to the fund. The Commission has urged and hopes for early enactment of this financing plan.

We believe it extremely important that consideration of proposals of the type before this committee today include recognition of the added costs involved and of the need to provide for their financing.

In summary, after thorough consideration of the matter, the Commission is of the opinion that the provisions of existing law for early optional retirement are very liberal, and that existing circumstances do not warrant the Government's assuming the additional liability involved in either of these proposals to further liberalize the early retirement privilege.

I thank you. Mr. Ruddock and I will be glad to answer any questions.

Mr. MORRISON. Any questions?

Mr. WALLHAUSER. Mr. Chairman, I have a question relating to the last part of his statement.

I am glad you emphasize—and I am sure you did emphasize—the fact that these cost estimates are based on assumptions, because certainly there is no accurate way of estimating. I wonder if you allowed a credit in your estimates of cost for the replacement of retirees by lower paid employees?

Mr. MACY. No. This is related entirely to relating this liberalization out of the retirement fund. This offsetting such as you describe would not benefit the fund itself.

Mr. WALLHAUSER. It would not benefit the fund but would it reduce the cost to the Government?

Mr. MACY. Yes, but it seems to me this would not be a material reduction?

Mr. WALLHAUSER. You do not think it would be a material reduction?

Mr. MACY. No, because our figures show that the great bulk of those who retire are retiring in the lower grades as it is. I believe 54 percent retire in the salary bracket of \$4,000 to \$5,000 a year.

Mr. WALLHAUSER. If we have legislation providing retirement at age 55 after 30 years of service and the average individual retires at age 57, would you believe that many could retire and live on the retirement income that they would be entitled to, or would they not continue on as long as they could?

Mr. MACY. My feeling is that unless there were employment opportunities offered or the individual felt the physical need to retire, that the average person would wish to continue until he reached a later age.

Mr. WALLHAUSER. I agree.

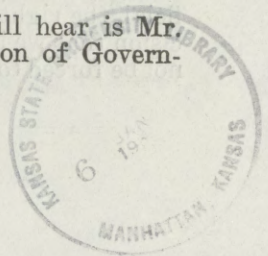
Mr. MACY. The maximum annuity, as Congressman Daniels pointed out, is 80 percent, and according to our calculations it takes a career of 41 years 11 months to reach the 80 percent, and it would seem to me this is an incentive to remain. But, of course, all of these are subjective and individual judgments on which a generalization is difficult to make, but to give a balanced picture this point should be recognized.

Mr. WALLHAUSER. Thank you.

Mr. MORRISON. Thank you, Mr. Macy and Mr. Ruddock. We appreciate your valuable testimony before the committee.

Mr. MACY. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness the committee will hear is Mr. John F. Griner, president of the American Federation of Government Employees.



STATEMENT OF JOHN F. GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES; ACCOMPANIED BY GEORGE MEAGHER, LEGISLATIVE DIRECTOR, AND W. J. VOSS, RESEARCH DIRECTOR

Mr. GRINER. Mr. Chairman and members of the committee, my name is John F. Griner. I am president of the American Federation of Government Employees. To my right I have Mr. George Meagher, who is our director of legislation; and to my left is Mr. Bill Voss, our director of research. Our organization is very much interested in the legislation which we are discussing this morning.

Mr. MORRISON. We are glad to have all three of you gentlemen here and you may proceed with your statement.

Mr. GRINER. The bill, H.R. 2909 sponsored by Representative Olsen, as well as the related bills which also are under consideration by this subcommittee, would provide important and desirable improvement to the civil service retirement system.

I wish to commend Representative Olsen and other members of this subcommittee and their colleagues in the House for sponsoring these bills which are designed to provide a better retirement system for Federal workers.

Enactment of any of these bills would represent progress. However, our primary objective is to remove all age restrictions from retirement after 30 years. The last national convention of the AFGE, as well as several preceding conventions, placed a binding obligation on the national president and the national executive council to seek legislation permitting retirement on full annuities after 30 years of service regardless of age.

A sound and reasonably liberal retirement system is one of the mainstays of a career civil service. It is one of the factors which assure the development of a career service. Another important factor is, of course, an adequate salary schedule. Together they constitute important considerations for an employee deciding whether he will remain in the Federal civil service for the rest of his working life or seek what may well be more rewarding employment in private industry.

Just as the adequate salary schedule compensates an employee during his years of duty status, a satisfactory retirement system provides security at the end of his working span. Otherwise, it would be necessary in many instances for the employee to work until well past the commonly accepted retirement age or to seek employment outside Government service to augment a retirement annuity which is not sufficient for his needs.

Liberalizing the retirement system also provides a sound and humane method of opening avenues to promotion for those who are equipped to assume the responsibilities of employees who are ready and able to retire.

When I mention the words "ready and able," I would like to have this understood—that this organization is against any provision which would give any agency of this Government, or any management official, the right to say when a man retires. In other words, it is a decision that we believe the individual himself should make. He should not be forced to retire.

I am making this statement because there have been rumors in the past that there would be a possibility of this bill having the support of the administration if the agencies were given the authority to force a man to retire upon attainment of 30 years of service.

An employee will be ready to retire if he believes that he can afford to take advantage of the opportunity for retirement. It is our belief that he should be the one to make the decision and that the initiating action should not come from management. We are emphatically opposed to management having the right to retire an employee, other than under the current mandatory provision, so long as he is able to perform his duties.

The bill H.R. 2909 provides for retirement after 30 years of service regardless of age. As already stated, this is our official goal. It is an objective which our membership believes is neither unreasonable nor unduly burdensome on the Federal Treasury. It is our view that retirement after 30 years is a benefit which should, and eventually will, be written into law.

The military retirement system is the notable example of retirement after 30 years of service as well as after the shorter period of 20 years. It has the important objective of encouraging persons who enter the military service to make it a career. In practice it has been advantageous as a means of encouraging careers. Various features of the military retirement system have been improved in recent years, one being the addition of survivors benefits. As a result of these factors in making military service more attractive, the turnover has been reduced considerably. At present about 10 percent of the persons who enter the service as a recruit or second lieutenant go on to achieve retirement status. Formerly this was only 2 percent. In other words, 1 in 10 stay on to retirement, instead of 1 in 50 as in earlier years.

The military retirement system is also a refutation of the concern over experienced persons leaving the civil service at a relatively early age expressed on behalf of the Civil Service Commission and others who oppose retirement after 30 years' service regardless of age. The military serviceman who may retire at age 38 after 20 or at age 48 after 30 years may represent an even greater investment for the Federal Government. In many instances education and training have been provided at Government expense. This expense is even greater when one considers that the retirement program requires no contribution by the serviceman.

Why should there be greater reluctance to lose the services of a civilian who retires after 30 years of service than there is for the military person? Furthermore, why should this concern be directed only toward persons completing 30 years of service when the same concern is not shown when the civilian's departure is voluntary? The civilian also may be forced to leave the service through a reduction in force and in so doing his period of service still falls short of his potential contribution. Yet it does not seem to cause as much anxiety for opponents of 30-year retirement regardless of age.

At this point it was interesting to hear the Chairman of the Civil Service Commission, who testified just before I was called. He appeared to be concerned about the economic import that it might have upon this Government should these people be permitted to retire at an early age. Yet I have before me on my desk legislation recom-

mended by the Civil Service Commission with respect to what we call the dual compensation bill, which would release literally thousands of additional people from the military into private or governmental civilian service. It seems to me it is not consistent to say on one hand that if we retire these people at an earlier age they will go out and get another job, and yet one of the principal purposes of the dual compensation bill is to permit them to go out and get another job.

It is the considered opinion of the AFGE that apprehension over the Government losing persons by retirement is without sound foundation when there is too little concern over losing thousands of employees each year because the Federal Civil Service apparently is unable to offer the incentive which would retain these persons on the Government employment roll. We have in mind those employees who leave their jobs voluntarily for reasons which are valid to them but which in many instances would not impel them to leave if they were convinced that the Government offers a satisfactory career.

During the last calendar year, 192,711 Federal employees voluntarily quit their Government jobs. This number was 8.35 percent of average employment during the year. The number has fluctuated during the last 15 years, reaching the total of slightly over 400,000 in 1951. At that time, total employment was approximately what it is today.

This high rate of turnover which was more than 8 percent for voluntary quits alone, and about 20 percent for all reasons, represents an element of substantial cost for the Federal Government. Turnover costs much more than retirement regardless of age. The AFGE has estimated that it costs the Federal Government an average of \$800 for each employee who quits after having become oriented in his work and for whom a replacement is hired. Applying this \$800 estimate to the more than 192,000 employees who voluntarily quit in 1962, the cost to the Government would have been \$154 million during this 1 year.

Even if this bill had been law, the great majority of those who quit in 1962, or left the service, would have left, anyway. But any of those who might have stayed in the service, because the service afforded a better career and better retirement system, is a benefit and a gain for this Government.

Among the related bills before this subcommittee are bills which authorize retirement on full annuity at age 55 after 30 years of service, and with reduced annuity at age 55 after completing 25 years of service. Retirement on full annuity at age 55 would provide a substantial improvement of the retirement system. It has the advantage over present law of eliminating the 1 percent a year reduction applied to the annuity of an employee who retire between the ages of 55 and 60. The reduction would also be eliminated from the present provision relating to retiring involuntarily after 25 years of service, or after 20 years of service for which an employee becomes eligible at age 50. The reduction of 2 percent a year, if the employee is involuntarily separated under age 55, would remain in effect. The Civil Service Commission has estimated that 35,000 employees during the fiscal year 1960 were eligible to retire optionally with 30 years of service between the

ages of 55 and 60. Of this number only 2,583 employees, or fewer than 8 percent of those eligible, did retire.

The number increased to 3,135 in 1961 and in 1962 was 2,980. Present retirements are believed to be at the rate of about 3,000 a year. According to the Civil Service Commission estimate the cost of annuities would have been increased about \$220,000 in 1960 if retirement at age 55 had been permitted with no deduction. Based on 2,980 employees retiring in 1962, the added cost would have increased to about \$285,000. Total annuity payments for employees retiring between ages 55 and 60 with deduction in 1962 amounted to \$11,430,000. The Commission estimate of removing the deduction for future retirements would be \$23 million a year.

I note in the Commission's statements that we are faced with a dollar mark every time a quotation is made. It has been my experience over the years that when we figure cost of retirement system we relate the cost to the income. Therefore we have to relate the cost here to the total Federal payroll.

Total Federal payroll at the present time is about \$15 billion.

What would be the increased cost, using their figure of \$23 million, which I believe is excessive, and I can only guess, in percentage of payroll?

Just a little quick arithmetic shows that it would be sixteen ten-thousandths of 1 percent; \$23 million is a big figure, but when we relate it to percentages it becomes a small figure.

Emphasis has been placed by the Civil Service Commission in previous statements to congressional committees that removal of the reduction factor of 1 percent a year from the annuity of an employee retiring between ages 55 and 60 would add incentive to early retirement. It was also asserted that removal of the age restriction altogether from retirement after 30 years of service would result in a substantially greater number of retirements.

It was estimated by the Commission that removal of the reduction factor for retirements between ages 55 and 60 would increase under-60 retirements by 25 percent, and that enactment of the 30-year, any-age proposal would add 75 percent to the number of under-60 retirements under the present law. As support for these estimates, the Commission pointed to the fact that there was an upsurge in 55-30 optional retirement cases when the reduction factor was cut in half in 1948 and a further upsurge when the factor was further reduced in 1956.

There is of course validity in the assumption that retirements increase when the retirement law is liberalized, or there would be little meaning to the changes made. But we believe that these forecasts are not fully supported by the trend of retirements in the past. There was, it is true, a noticeable increase of the number retiring immediately following a change in the law, but the statistics do not seem to indicate a trend which shows signs of rising or continuing at a high rate for some years thereafter.

The number of 55-30 retirements in selected years during a 21-year period from 1942 to date indicates the turning points and the trend in the most recent years:

Fiscal year:	55-30 cases	Fiscal year—Continued	55-30 cases
1942-----	41	1957-----	4, 275
1943-----	307	1958-----	4, 154
1948-----	480	1959-----	2, 826
1949-----	1, 240	1960-----	2, 583
1955-----	1, 659	1961-----	3, 136
1956-----	2, 053	1962-----	2, 980

The statistics of the number of retirements between ages 55 and 60 seem definitely to indicate that the greatest impact of lowering the reduction factor has taken place. This is further substantiated by considering what happened when retirement at age 55 and 30 years' service was first introduced into the system. The act of January 24, 1942, permitted an employee to retire optionally upon attaining age 55 and completing 30 years of service and the annuity to be paid was to be equal to the present worth of a deferred annuity at age 60. The reduction of annuity for a man at age 55 was approximately 33 percent and for a woman about 31 percent.

The one-third reduction of annuity induced fewer than 2,000 employees to retire during the 6-year period it was in effect. Evidently the price was too high and the circumstances had to be compelling.

When the reduction factor was cut in half in 1948, the number retiring rose significantly for several years thereafter. But that was a substantial change. Annuities were reduced 3 percent a year for each year between 55 and 60, or 15 percent at age 55. When the factor was lowered in 1956 it was again a sizable percentage, but the proportion was somewhat less than that of the reduction made by the 1948 amendment. Therefore, the additional retirements were proportionately smaller.

To illustrate this viewpoint in figures, the 1942 law permitted the retiree at age 55 to retain only 67 percent of his annuity. As a result of the 1948 law, he could keep 85 percent. Under 1956 law he may retain 95 percent.

The average annuity being paid a retired employee is about \$165 a month.

Suppose he retires after 30 years of service at age 55. The average employee would have an average reduction of \$8.25 a month.

It is fairly well known that the average entrance age into the Federal service is around 27 years. That means that the average age at which a man would attain 30 years of service, complete 30 years of service, would be 57 years, so he would have to take a reduction of 3 percent, which would be only about \$5 in the average annuity per month.

If a person really wanted to retire, there are not many that will let that little reduction stand in the way of their retiring. However, there will be some, but I challenge that 25 percent additional would retire because that small reduction would be eliminated.

The conclusion to be drawn is that the incentive to retire between ages 55 and 60 has been successively reduced until removing the last restriction should have relatively less effect on the number of retirements between these ages.

One further point: Retirements in 1957 and 1958 were about 50 percent above the year 1959 and succeeding years. This apparently indicated an accumulation of retirees who perhaps were 2 or 3 years past 55, or in any event, had delayed taking advantage of the lower retirement age until the reduction had been lowered. Then the number settled back to a more meaningful level. But the maximum reduction to be removed from the law now is but 5 percent as compared with 15 percent in 1956 and 33 percent in 1948.

Thus, it is the viewpoint of the American Federation of Government Employees that the number of retirements which may be expected either upon removing the present reduction on the 55-30 provision for retirement or upon removal of all age limitation will not be greatly increased. This opinion appears to have reasonable support in the statistical trend already discussed.

We are concerned here with an age group that in the case of the 55-30 provision is only 1 to 5 years below the age of 60 at which employees having 30 years of service may retire with no reduction of annuity. It is reasonable to expect that the lower the age at which retirement is available, the less is the likelihood that an employee will take advantage of it. This is particularly true of a married man with family responsibilities or, for that matter, of any employee who has one or more dependents or certain obligations.

Annuities involved in these bills provide for retirement after 30 years of service, not 35, 38, or 40 years. For 30 years of service, the employee will receive no more than 56 percent of salary in his highest 5 years. In other words, his income is practically reduced by one-half. This is scarcely calculated to hurry the individual into the ranks of the retired.

The average for the fiscal year 1962 of all employee annuities was \$165 a month and for those who went out under provisions in effect prior to the 1956 law, the average was \$138.

The whole discussion of these proposals to liberalize the retirement law resolves itself to this simple principle: If the Federal Government makes the civil service attractive enough for an employee to remain in his job until age 60, future retirements will not be unduly increased because of the liberalization. Even if we accept the Civil Service Commission estimate of cost of \$23 million, it is somewhat less than the \$154 million worth of quits in fiscal year 1962.

Thank you, Mr. Chairman, we appreciate this opportunity to discuss this legislation.

Mr. MORRISON. Questions?

Mr. WALLHAUSER. I want to thank Mr. Griner and his associates for presenting a very important analysis of the arithmetic involved in this legislation. I think he has added considerably to the record. They have estimated costs very carefully and they have given us actual figures on which to base future considerations.

I have just this question, Mr. Griner. Coming from the theoretical to the practical, recognizing the heavy opposition of the administration as expressed through the Chairman of the Civil Service Commission whom you heard testify not very long ago, would you say that a bill of retirement after 30 years at age 55 would be a desirable compromise if we are faced with the necessity of compromising?

Mr. GRINER. It would be a long step in the right direction. We realize the opposition. We realize there is more probability or possibility of having a 30-year bill regardless of age, having it vetoed, or being unable to get it enacted, than we would the other. Yes, sir; I think it would be acceptable. In other words, it is a step in the right direction, and we often say that when we came into the world we were helpless.

The first had to sit alone, then stand, and then toddle and walk and then finally run. We are willing to take a step at a time; yes, sir.

Mr. WALLHAUSER. Those of us in the legislative branch of the Government recognize that all legislation, in a sense, is compromise. We don't have any black and white areas. Usually it is more gray. Perhaps this might be a substantial step in the right direction, so I appreciate your response.

Mr. GRINER. Thank you, sir.

Mr. MORRISON. The committee is indebted to you for a very excellent presentation, and we thank your two assistants. You have given us very valuable information. We appreciate your giving us this testimony in a very forthright and splendid manner.

We thank you again.

Mr. GRINER. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness is Mr. Vaux Owen, president, National Federation of Federal Employees.

STATEMENT BY VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. OWEN. Mr. Chairman and members of the subcommittee, my name is Vaux Owen. I am president of the National Federation of Federal Employees. Our national office is located at 1737 H Street NW., Washington, D.C. Our organization has members in practically all of the departments and agencies of the Federal Government and in practically all pay levels in both the Classification Act and the Wage Board groups.

On behalf of our organization, I want to thank the chairman and the members of the subcommittee for holding hearings on H.R. 2909. I also desire to thank Hon. Arnold Olsen for introducing H.R. 2909 and the other Members of the Congress who introduced related bills.

We strongly support H.R. 2909 and urgently recommend a favorable report and passage of this bill for optional retirement after 30 years of service regardless of age.

We have favored 30-year optional retirement without regard to age for a number of years. At our last national convention, held at Phoenix, Ariz., in September 1962, our national convention adopted the following resolution:

Resolved, That the National Federation of Federal Employees continue to recommend and support legislation providing that all Federal employees be permitted the option of retirement at full annuity after 30 years of service without regard to age.

This resolution was the master resolution adopted by the delegates at our convention. There were many other resolutions from various parts of the country. In all there were 29 resolutions in favor of

30-year optional retirement. The widespread geographical area from which these resolutions came indicates the nationwide interest in this subject. The following is a list of the locals, and the cities in which they are located, from which these resolutions came:

LIST OF LOCALS WHICH SUBMITTED RESOLUTIONS FAVORING 30-YEAR OPTIONAL RETIREMENT TO THE 1962 NATIONAL CONVENTION OF THE NFFE

Local 2, Washington, D.C.	Local 259, Memphis, Tenn.
Local 4, New York, N.Y.	Local 262, Washington, D.C.
Local 7, Portland, Oreg.	Local 403, Springfield, Ill.
Local 11, Spokane, Wash.	Local 491, Bath, N.Y.
Local 14, Minneapolis, Minn.	Local 492, Canandaigua, N.Y.
Local 16, Detroit, Mich.	Local 516, Austin, Tex.
Local 23, Philadelphia, Pa.	Local 552, Joliet, Ill.
Local 24, St. Louis, Mo.	Local 574, Muskogee, Okla.
Local 32, Sault Ste. Marie, Mich.	Local 758, Wenatchee, Wash.
Local 97, Nashville, Tenn.	Local 788, Richland, Wash.
Local 102, Denver, Colo.	Local 990, Salt Lake City, Utah
Local 117, Savannah, Ga.	Local 1234, Warner Robins, Ga.
Local 125, Ogden, Utah	Local 1315, Washington, D.C.
Local 135, Vicksburg, Miss.	Local 1335, Washington, D.C.
Local 192, Metuchen, N.J.	

Mr. Chairman, there has been continuing interest in, and bipartisan support over the years for, this type of legislation.

A Federal employee who has worked 30 years for the Government deserves a rest if he wants it. The Government has had the benefit of his services during the most productive years of his life. When and if he decides to retire, a full annuity should be available to him.

With the development of automation and the constant effort to keep the number of employees at a minimum, attrition is being relied upon to reduce personnel on duty. Federal employees are sensitive to the pressure which is thus being exerted upon them. Many could help the attrition process if they could yield to the pressure and could be permitted to retire after they have served the Government for 30 years. This in some instances would make jobs available for younger persons and would open up opportunities for promotion which would be calculated to improve and strengthen the Federal service.

Mr. Chairman, the biggest domestic problem facing our Nation is the problem of unemployment. We have the highest rate of unemployment of any great nation. There is every indication that this problem will become more aggravated as young people leaving our schools and colleges seek employment and fail to find it. Although this problem will not be solved by 30-year optional retirement, legislation permitting 30-year optional retirement will contribute to the solution of the problem. In view of the seriousness of the problem, we think this step toward a solution should be taken. The impact of automation, technological change, changes in mission, closing of installations, and the like is going to be felt in the departments and agencies of the Federal Government as the pressures generated by them continue to increase. The older employees, particularly, are going to be hard-hit by these changes which are taking place in the Federal service. Much of the electronic data processing and automation which was started a few years ago has now reached the point where greater numbers of employees are being displaced. New electronic

equipment will displace many more. The hardships resulting from these current and impending changes would be somewhat ameliorated for those employees who have had long periods of service, if they could retire after having served 30 years.

If this legislation should be enacted, it is not believed there will result an excessive additional turnover of employees in the Federal service. Some Federal employees who have had 30 years of service will not exercise the option to retire. The cost of this legislation should not, therefore, be figured on the basis that every employee who has had 30 years of service will retire. While the effect on unemployment would justify the cost of making annuities available to all who have rendered 30 years' service, it would be a distinct advantage to the Government for many of them to continue to work. Some would be difficult to replace. Some have experience and skills that are extremely valuable to the various departments and agencies in which they work. Such employees could continue to work more than 30 years if they desire to do so.

On the other hand, there are some situations where the employee who has served for 30 years could not very well develop the new skills required to perform the work in the agency in which he is employed and could not find work in any other agency or in private industry. Where there is a situation of this kind which could result in frustration, uncertainty, and a contaminating loss of morale, the opportunity to retire would prove most helpful to both the employee and the service.

We appreciate the interest of the chairman and of the subcommittee in this desirable legislation, and we urge a favorable report on a bill which will permit optional retirement regardless of age after 30 years of service.

Mr. MORRISON. Are there any questions?

Mr. WALLHAUSER. I have no questions, Mr. Chairman, other than to say that Mr. Owen made an interesting statement, carefully prepared.

I note you state there has been a constant effort to keep the number of employees at a minimum.

I am forced to say that I do not think the effort has been successful because the record number of employees which has been added in the past few years does not seem to indicate that the effort has been successful.

I want to thank you, Mr. Owen, for presenting this statement.

Mr. OWEN. Thank you.

Mr. MORRISON. I likewise want to thank you, Mr. Owen.

The committee is indebted to you for a very excellent statement. We appreciate your fine contribution.

Mr. OWEN. Thank you.

Mr. MORRISON. The next witness the committee will hear is Mr. Charles Puskar, executive secretary-treasurer, National Association of Postmasters, accompanied by Mr. Roy North, legislative representative.

STATEMENT OF CHARLES PUSKAR, EXECUTIVE SECRETARY-TREASURER, NATIONAL ASSOCIATION OF POSTMASTERS; ACCOMPANIED BY ROY NORTH, LEGISLATIVE REPRESENTATIVE

Mr. PUSKAR. Thank you, Mr. Chairman. In deference to the other witnesses to follow, and in deep gratitude to you for the patience, and that of the other members of your committee and your staff, and in deference, also, to the devotion of duty you have always shown as a ranking member of this committee, I would like to ask your permission to file my statement because some of the points we make for the National Association of Postmasters would be repetitious with other statements made here.

I would like to make a few remarks concerning the statement.

Mr. MORRISON. Without objection, let the statement be inserted in the record, and you may proceed with your remarks.

(The statement referred to follows:)

PREPARED STATEMENT OF CHARLES E. PUSKAR, EXECUTIVE SECRETARY-TREASURER, NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

Mr. Chairman and members of the committee, by name is Charles E. Puskar, postmaster at Imperial, Pa., and I am executive secretary-treasurer of the National Association of Postmasters of the United States. I am accompanied by our legislative representative, Roy M. North, formerly postmaster at Washington, D.C., who joins with me in the presentation of this testimony.

Our association, which accepts only postmasters and retired postmasters as members, has a total membership of 33,802, of whom 1,315 hold associate membership as retired postmasters. There are 34,531 postmasters in the Nation and therefore we represent over 96 percent of that number as active paid-up members.

Mr. Chairman, we appreciate the opportunity to appear before you in support of H.R. 2909 and related bills having to do with civil service retirement after 30 years of service. We want to express our appreciation of the forceful and convincing statements made at the opening of these hearings by Congressman Morrison and Congressman Olsen. We are grateful to Congressman Olsen for introducing H.R. 2909, and to Congressman Daniels and other Members of the Congress for introducing related bills. We also appreciate the action of the distinguished chairman of this committee, Tom Murray, in promptly setting dates for hearings on these important legislative proposals.

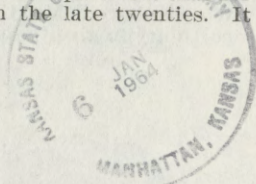
Mr. Chairman and members of the committee, 30-year optional retirement without regard to age has been the subject of legislation for many years. We joined in the testimony in 1956 when Public Law 854, a complete revision and liberalization of the existing retirement law, was enacted. That legislation, as finally drafted, provided the present benefit of full retirement at 60 years of age with 30 years of service, and optional retirement at 55 years of age with reductions.

On May 15, 1961, we testified in support of S. 188, introduced by the distinguished chairman of the Senate committee, proposing 30-year retirement regardless of age.

On May 15, 1963, our association testified in support of S. 176, also introduced by Chairman Johnston, providing 30-year retirement at 55 years of age. The subcommittee handling the matter was chaired by Senator McGee, and we understand that a favorable report will be made shortly to the full Senate committee.

Full retirement benefits after 30 years of service, either at 55 years of age, or without regard to age, have long been advocated by our association and other postal organizations.

Mr. Chairman and members of the committee, you have heard testimony that the average entrance age for Government service is 27. While we are sure that in the Postal Service temporary employees at an earlier age are employed, we are advised by the Personnel Bureau of the Post Office Department that for career postal employees the average entering age is in the late twenties. It



would seem, therefore, that the average postal employee would have reached the age of 55 or more after 30 years of service.

In the retirement report of the Civil Service Commission for fiscal year 1962, it is shown that during that year only 2,967 retired under the optional 30-year service at age 55 provision. Their average service was 34½ years, and their average age was 57½ years. During that same period, 6,774 retired under the 30-year, age 60 provision. Their average service was 37.7 years and their average age was 64.8 years. This indicates that the majority of employees prefer to stay in the service until they have earned full annuity.

Correspondence from our membership indicates that many postmasters in good health at the age of 70 would prefer to remain in the service even after that mandatory retirement age. Therefore, we feel sure that most of our members would prefer to remain in the service even after reaching full annuity requirements. However, in certain cases where individuals found that the tension and stress of work was too much for them or if there was impairment in their health, we see no real reason for denying them full benefits of retirement after 30 years of service.

We feel that Federal employees who have given the most productive years of their lives in dedicated service to the Government are deserving of optional retirement with full benefits after 30 years of service.

Civil Service Commission Chairman Macy has estimated the additional annual cost of the 55-year provision at \$23 million, and a cost of \$67 million, without age limitation, after 30 years of service.

In the fiscal year 1962, 16,728 were retired under disability provisions. Of the 426,031 employee annuitants on the retirement rolls at the present time, 121,859 were retired for disability. To meet disability requirements under the Civil Service law, an employee must become totally disabled for useful and efficient service.

Through a gradual impairment of health, an employee may be partially disabled and it may be months, or even years, before he reaches disability status under the law. In the meantime, it is the general practice for departments to give such employees lighter assignments, if possible, and their production is reduced although they retain their compensation. This is particularly true in the postal service, and this procedure is expensive. We believe that those employees would gladly retire after 30 years of service if full benefits were accorded, without going through the ordeal of establishing disability.

Another point to remember costwise is that when an employee retires he is usually in the higher steps of his level or grade, whereas his replacement draws a smaller pay. These factors should be taken into consideration in determining the net cost of the measures before us today.

The costs, estimated by the Civil Service Commission, are evidently based on the expectation that a large number of employees would immediately retire when they met the full annuity requirements under this measure. It is our opinion, and the opinion of other witnesses at these hearings, that such would not be the case.

Federal employees are gratified that the President has proposed comparability of Federal pay with industry, and that proposal has been introduced in Congress as H.R. 7552. We feel that the legislation being considered today by this committee would provide comparability between the Civil Service Retirement Act and the pension plans in private industry.

A Department of Labor study of 300 selected pension plans in the major industries, covering between 1,000 and 300,000 employees in each plan, revealed that the employer finances the entire cost of the pension plan in 251 of the industries. In 49 of the pension plans, joint contributions are made by the employer and employee. These pension plans in private industry are in addition to the social security coverage enjoyed by the employees.

We do not advocate that the Government should finance the entire cost of our retirement plan. Federal employees do not object to making a substantial contribution for their retirement benefits, but we feel that the Government should at least liberalize the Civil Service Retirement Act so that employees who so desire could retire with full benefits after 30 years of dedicated service.

We believe that the privilege of full retirement annuity after 30 years of service would be beneficial to both the Government and the employee. Therefore, we strongly recommend favorable consideration of the objectives of H.R. 2909 and related measures.

We thank you, Mr. Chairman, and the members of your committee, for the opportunity to give the viewpoint of our association in regard to these measures.

Mr. PUSKAR. Our organization, Mr. Chairman, has a paid-up membership of 96 percent of the postmasters of the Nation, so we feel we do have the knowledge of how postmasters feel in regard to their bill before you for consideration.

Our executive committee and our delegates to our conventions for the past several years have, by mandate directed us to ask you to provide retirement after 30 years of service.

The 55-year floor is not of great importance to our association because most postmasters are 55 or more, when they reach 30 years of service. In fact, a great deal of our correspondence from postmasters has to do with those who have reached the mandatory retirement age of 70 and are in good health. They like their positions and would like to stay on longer than the 70-year mandatory retirement age.

Mr. MORRISON. If I may interrupt the gentleman there, I heard the distinguished Senator from Texas, Mr. Yarborough, state that his father was an applicant for postmaster in some community in Texas and said he was turned down because of his age, which was 60 years old.

A younger man was put in his place, and accepted the position as postmaster.

As it has developed, the postmaster who was selected has passed on to greater rewards while his father is 98 years of age, and still living.

Mr. PUSKAR. That is interesting, Mr. Chairman.

Mr. MORRISON. Here is a man who was not a postmaster but he certainly was well equipped to carry on after the age of 70 had he been selected as postmaster.

I can certainly agree with you that one of the problems that I face in my district is where many postmasters actually get so interested in their work and dedicated to it that when age 70 comes they don't wish to retire, and many of them would stay on longer if they could.

I don't think that that condition is unique to my district only but it is more or less universal. Is that right?

Mr. PUSKAR. That is right, Mr. Chairman. When these postmasters reach the age of 70, and want to carry on, they are usually the most efficient. They are managers of happy offices, have good labor-management ratings and have high efficiency ratings. They like their work and would like to carry on.

Mr. WALLHAUSER. Why do you constantly refer to greater rewards, and still continue to eat vitamin pills and take exercises?

Mr. MORRISON. I referred to Senator Yarborough's father.

Mr. PUSKAR. We believe this bill would be of value to both the Government and to the employees in many cases.

In our organization, for example, in view of the increase in population, urban development, we have cases where we have very capable postmasters in small second-, third-, or fourth-class offices. Their educational background and experience fits them very well to be managers of that type of office.

But within a period of a year or so, due to development in that area, the office sometimes grows from an area of 200 to 300 to 1,000, or even to 20,000.

The postmaster there all at once finds himself under a great deal more stress because of his background. Perhaps he or she is not equipped to manage a large post office where there are many carriers and clerks.

In those cases some of those postmasters welcome retirement after 30 years of service.

Some of them do not have good health. They cannot qualify for disability retirement but they don't feel good. In those instances I believe it would be well for the Government, too, to give them—

Mr. MORRISON. If I may interrupt. Is that a relatively large or small percentage?

Mr. PUSKAR. A relatively small percentage.

Mr. MORRISON. Don't you think this legislation would help their morale to this extent—if they are not in the best of physical condition they can make that decision and that choice themselves and either stay on, realizing "I am not quite up to this job but I have a choice here and I want to stay on and I am willing to put up the effort," or on the other hand, knowing that they could retire in 6 months or a year, or any time thereafter if they wanted to, don't you think from the standpoint of morale that would be of tremendous benefit?

Mr. PUSKAR. I think you mentioned the key word there, Mr. Chairman, "morale." The morale factor in this bill is of inestimable value to the Government. You would have a happy postmaster, a happy employee. They are more efficient employees.

Mr. MORRISON. Security in the world today is just a state of mind but it is an important state of mind.

Mr. PUSKAR. I agree.

Mr. MORRISON. The older we get the more we like to have something to base our security on; especially as we have the responsibility of our family and other matters.

If a person could have several alternatives, and this certainly would be one alternative if he were eligible for this, and circumstances perhaps came up to where it was a borderline case, it seems to me his morale would certainly be increased based on the fact it would give him a very definite feeling of security which otherwise he would not have.

Mr. PUSKAR. That is an impressive point.

Mr. MORRISON. Do you agree with that?

Mr. PUSKAR. I agree with you 100 percent, Mr. Chairman.

Mr. MORRISON. And in your position you certainly have an opportunity to be aware of many cases like that, because there are thousands and thousands of postmasters.

Mr. PUSKAR. That is right.

Mr. MORRISON. Your life has been associating with postmasters and knowing of individual problems that have come up.

Mr. PUSKAR. That is right. I certainly agree with you on that point. The morale factor is very important in consideration of the measure before you.

I briefly want to say I appreciate the statement made by Congressman Daniels regarding the position of people between the age of 50 and 60.

I agree with him; I do not believe a lot of postmasters would take advantage of it.

It seemed he was talking about me personally because if this bill is enacted I can retire next March 15, but I had three children in college last year, one graduated but I will have another one coming up next year and one after that, so with the education I hope I can provide my children with college degrees, I certainly could not afford

to retire next year or any foreseeable date in the future, even though I were accorded the privilege of retiring on full annuity after 30 years.

Mr. MORRISON. On just that point, even though you do not retire, and perhaps will not retire and would not retire for the reasons you stated, wouldn't it give you a better feeling to know that you could if you wanted to, knowing otherwise that you would have to take a tremendous reduction if you do?

Mr. PUSKAR. It would be a nice feeling to know you could retire if you so chose after 30 years.

Mr. MORRISON. I mean from your own personal reaction, don't you think even though you would not accept it, still the very fact you could accept it if you wanted to would give you a different outlook on your job and the Federal service?

Mr. PUSKAR. You are so right, Mr. Chairman. Another point, made by Congressman Wallhauser, and which the capable Chairman of the Civil Service Commission did not think was of too much importance, was the replacement cost of people coming into the service being much less than compensation of the retiree. There would be a saving to the agency employing the retiree and rehiring a replacement.

I think it is important because in your position you have to look at the overall cost. It is cost to the Government and this is something which should be considered.

Just in summarizing briefly, the National Association of Postmasters supports H.R. 2909 and the related bills. As I mentioned previously the ceiling of 55 is not of too much importance to the members of our organization.

We thank you for the privilege of being here, Mr. Chairman.

Mr. MORRISON. Mr. Wallhauser?

Mr. WALLHAUSER. No questions, thank you. I appreciate your statement very much.

Mr. PUSKAR. I also want to say briefly that my colleague, Roy North, of whom we are very proud, is the former postmaster of Washington, D.C., and has been of great help to our organization in all of our endeavors here before your committee.

Mr. MORRISON. Both of you gentlemen have appeared before various subcommittees of this committee and before the full committee on many occasions. You have always been very helpful and most diligent and you have always made very excellent presentations.

You have certainly followed in your usual form by making a fine statement today.

Thank you for your contribution.

Mr. PUSKAR. Thank you.

Mr. NORTH. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness is Mr. John J. Murphy, president, National Customs Service Association.

STATEMENT OF JOHN J. MURPHY, PRESIDENT, NATIONAL CUSTOMS SERVICE ASSOCIATION

Mr. MURPHY. Mr. Chairman and members of the committee, my name is John J. Murphy, and I am the national president of the National Customs Service Association. The National Customs Service

Association is an independent employee organization comprised of employees of the customs service at all levels. We have members at various ports and places in the mainland United States and in Alaska, Hawaii, Puerto Rico, and Virgin Islands. In all, we have 44 local branches.

We represent the majority of the employees of the customs service and are the only employee organization accorded formal nationwide recognition of the Treasury Department and the Bureau of Customs as representatives of the employees of the customs service.

The membership of the National Customs Service Association is very interested in H.R. 2909 and related bills, and we wish to take this opportunity to thank Representative Olsen and the other members for sponsoring this progressive legislation which will permit optional retirement on full annuities at any age after 30 years of service.

Our association believes that an employee who has faithfully served his Government for 30 years should receive full annuities without regard to age. Resolutions advocating this have been passed at our national conventions for many years. It has been an objective of our organization for a long time. We regard H.R. 2909 as sound legislation that will be of benefit to both employees and to the Government.

It will benefit the employee by recognizing that 30 years of service is an important segment of his lifespan, and will permit him to retire should he choose to do so.

Thirty years of service in an agency as active and demanding as the Bureau of Customs takes a lot out of a person. After 30 years most employees are considerably less vigorous. We find that employees in our field age rather rapidly.

When we speak of workload in Customs we talk about significant changes. Customs workloads means \$16 billion worth of merchandise importations, 160 million persons, and 46 million vehicles coming in. We process and liquidate almost 2 million formal entries, examination of 2 million packages by appraisers, and many more. The workload has increased significantly in every single category.

In other words, there is more merchandise, more vessels, more airplanes, more vehicles crossing our borders with more passengers.

We believe that it will be advantageous to the Government to permit an employee to retire under this bill. He may then be replaced by a younger employee and at a considerable saving in salary. For example, a member of the inspection force, which is our largest single group, with 30 years' service would be in the eighth step of grade GS-9 at a salary of \$8,250. If he were able to retire, he would be replaced by a trainee inspector at the bottom of grade GS-7 at a salary of \$5,540. The first year saving for one position would be \$2,710.

We further believe that it is reasonable to permit retirement after 30 years' service regardless of age, since in our view the important point is the amount of service given rather than the age of the employee. At the present time there seems almost to be a penalty against the employee who came into the service early in life. Many employees with 30 years of service who would consider retirement are hampered because they entered the service at an early age. Others who were somewhat older, and entered the service at the same time, may retire without penalty. It may be said that some employees will be too young to retire on full annuities. This, of course, is only part of the story.

The young employee has given 30 of the best and most productive years of his life to the Federal service.

Among our members with 30 years of service are those who would like to retire if they could do so without an age penalty. Some are in poor or failing health but are not disabled to the extent necessary to be retired under the disability provisions.

It would be of definite advantage to the Government if such employees could have the opportunity to retire without diminution of their annuities. Thirty years of service should, in our view, carry with it some such option. We submit that 30 long years of dedicated service places a moral obligation of the Government to reward the employee by at least giving him the option of retiring.

In conclusion, the National Customs Service Association believes that the passage of H.R. 2909 would do three desirable things: (1) Create employment and promotional opportunities for younger and more vigorous personnel, (2) reward long and faithful service, and (3) save the Government the difference in salaries.

Mr. Chairman and members of the subcommittee, I should like to express my thanks for the opportunity to present the views of the National Customs Service Association.

Mr. MORRISON. Mr. Wallhauser?

Mr. WALLHAUSER. I want to congratulate Mr. Murphy. He gave a very interesting example of savings so far as his group is concerned which I think we should note.

I have just one question at this point. Have you any idea of the average age of entry of your group of employees?

Mr. MURPHY. I think our age would be somewhat younger overall than the average of 27. We have a lot of young people who come into the lower clerical grades. I would be inclined to think it would be about 23.

Mr. WALLHAUSER. So that a restriction at age 55 would affect your group adversely, would it not?

Mr. MURPHY. To some extent, yes, sir.

Mr. WALLHAUSER. Would you oppose vigorously the legislation of 55-30?

Mr. MURPHY. We have been on record as favoring a straight 30 years without reduction.

Mr. WALLHAUSER. I realize that.

Mr. MURPHY. But we, too, take a practical approach to these things. We feel if we could get full annuities at age 55 with 30 years of service we would be very happy with that.

Mr. WALLHAUSER. Do you believe there would be any dropouts if the legislation were enacted?

Mr. MURPHY. I don't believe it would increase our number of retirements to any significant extent since ours is a truly career service and our people stay in it.

Mr. WALLHAUSER. What would the annuity amount to in dollars if your employee retires on the example you gave?

Mr. MURPHY. Approximately 56 percent of the high 5-year salary.

Mr. WALLHAUSER. Thank you.

Mr. MORRISON. Mr. Murphy, you represent a group of Federal employees who certainly come under a very specialized class. I have had occasion to observe the employees you represent in many parts of the United States.

It has been my observation that you represent a very dedicated and a highly specialized group. They have to have excellent morale and they work under very trying conditions. I have seen an unusually heavy load of tourists come in unexpectedly, especially at airports.

Mr. MURPHY. That is quite true.

Mr. MORRISON. Some people are not in the finest frame of mind. They are a little travel weary and have problems in getting off the planes. Sometimes they have been delayed, and I have seen situations arise where if the people you represent were not specialists in their particular field they could very well panic rather than handle a situation in a very competent manner, as they usually do, and as our Government hopes they will.

Looking at it in that way they perhaps have more of a nerve-racking job than many other types of employees in the Federal Government. Human nature being what it is, this is bound to have some effect on their psychological outlook on their job, their general feelings, and their general health pattern. To me morale would be a very important factor.

The very fact that they would have this choice I believe is important. Perhaps they are not in the best of physical condition. Perhaps sometimes they cannot cope with situations such as I have described as a younger person could.

Yet, if they had the feeling that they would not be penalized, that they could retire, it seems to me from my standpoint the morale factor would be very important to this individual. They would say, "At least the choice is up to me. I don't have to take a reduced annuity if I do retire. If I want to stay I can stay on a while longer."

Having been one of those employees, and as a representative of those employees, what is your reaction?

Mr. MURPHY. We feel that this matter of morale is one of the most important ones in our service because of the fact, as I pointed out, our workload has increased to such an astronomical degree; and it is only by keeping the morale high that we are able to cope with the work. If this legislation should be passed, whereby a man would have the option to retire after 30 years of service, this would be extremely helpful.

The people we are referring to here are principally those in the outside force, but by the same token the work and the pressure has increased throughout the service. There has been a tremendous increase in all branches of the service. As a matter of fact, figures just released show we have had a 6.1-percent increase in our collections; this results from the collection of \$1,749 million, which is quite a sizable amount of money for an agency with somewhat less than 8,000 personnel. This means that every single employee, from the Commissioner down to the newest clerk, has to increase his productivity and has increased his productivity; because along with the amounts of money collected the transactions have increased tremendously and the morale factor is a very important point in this legislation, very definitely. It would be of great help.

Mr. MORRISON. You do not think the very fact that an employee could retire after 30 years of service would mean there would be a wholesale use of that privilege in your group? In other words, you would not say that every person who fitted that situation would look forward to the time he had 30 years of service to retire?

Mr. MURPHY. No; I do not believe there would be any mass exodus in that sense at all but, as I pointed out, the workload is becoming heavier and the older men are beginning to get over the hill. I think it would be of benefit to the Government, to the service, and to the individual if the men who feel they can no longer cope with the situation were permitted to retire after 30 years.

Mr. MORRISON. In other words, there might be a health situation or some other problem that would be applicable to them that would cause some to retire. But many of your employees would perhaps stay on, everything being equal, if they were in good health, is that true?

Mr. MURPHY. Yes; I have no doubt they would.

Mr. MORRISON. And the very fact the employee was happy with his job, from the standpoint of knowing his job and liking it, if he were in good physical condition unless he had some unusual offer from private employment there is no reason why you could not assume he would continue?

Mr. MURPHY. That is correct, sir.

Mr. MORRISON. Mr. Murphy, we certainly do appreciate your contribution and the information you have given to the committee, and we certainly appreciate your coming to our hearing here today.

Mr. MURPHY. Thank you, Mr. Chairman, and thank you, Mr. Wallhauser, for your courtesy and your patience.

Mr. MORRISON. The committee would now like to hear from Mr. Henry Stoffer, executive vice president of the National League of Postmasters of the United States.

**STATEMENT OF HENRY STOFFER, EXECUTIVE VICE PRESIDENT,
NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES;
ACCOMPANIED BY PAUL KELLEY**

Mr. STOFFER. Thank you, Mr. Chairman. I have with me Paul Kelley, our colleague.

In the interest of time, we have rather brief testimony so I think I will just read it. It will not take much of the committee's time.

Mr. MORRISON. You may proceed.

Mr. STOFFER. My name is Henry Stoffer. I am executive vice president of the National League of Postmasters of the United States and I appear before you to evidence our great interest in all legislative proposals affecting the welfare and interest of our Federal employees. Specifically today, I appear in connection with H.R. 2909 introduced by Congressman Olsen.

As a matter of passing interest, I am pleased to say that the President of our organization (Mr. W. T. (Tommy) Vaughn) is a constituent of your great chairman, Hon. Thomas Murray, and I am just as pleased to indicate that I am a constituent of Congressman H. R. Gross, also a member of your committee.

Over the years our organization has been strong in its advocacy and support of voluntary retirement of Federal employees who reach the age of 55 and have not less than 30 years of creditable service. For the purpose of emphasis, I reiterate "voluntary" retirement, and this contemplates the act of retiring shall be at the sole option and discretion of the employee involved. We feel that such determination should rest

entirely with the employee, at least until he reaches the mandatory retirement age.

There has been some comment as to whether or not the exercise of this right of retirement would be widespread. In all probability, such permissive retirement would be rather limited, especially during the first few years after its authorization. Nevertheless, it is our thought that as experience is gained and the employees give deliberate thought to the benefits that may come to them through such retirement that the exercise of such privilege will become more pronounced.

Insofar as the postmasters are concerned, there are some interesting statistics, over one-half are females and it is our notion that "permissive" retirement would become quite attractive to them. On the average a substantial number of our postmasters do not start on Federal service until 30 years of age.

We are strong for a 30-year optional retirement program and just as strong in our preference for a 55-year age floor, at least as a starter in the field. This would permit a reasonable "experience" period to be gained without any substantial threat to the fiscal integrity of the retirement fund. After such period, consideration based upon more concrete and pertinent facts can then be afforded to the proposition of making the eligibility requirement for retirement simply one of 30-year service tenure.

Statistics and experience would not support the observations of the Civil Service Commission and the Bureau of the Budget respecting the wholesale retirement that would follow the enactment of legislation authorizing optional employee retirement upon the completion of 30 years of service and a minimum age of 55 years. An employee retirement with 30 years service is entitled to $56\frac{1}{4}$ percent of his high 5 earning years. Less than 6 percent of those retiring in the year ending June 30, 1962 retired at age 55, though the penalty for such retirement has been reduced from 15 percent to 5 percent. The longer an employee remains in service obviously the higher the annuity which is certainly an incentive for one to continue in service, especially when in the best of health, etc.

Thus, if such be the case, the question—Why have we been and why are we so interested in securing this authorization? In the first place, we feel that this is something to which the employee is entitled, something which his 30 years of loyal and faithful service should have earned for him. Further, we feel that it is in line with the concerted efforts that are being made in endeavoring to bring Federal employees in line with employees in private industry so far as comparable earnings, vacations, retirement and other employee benefits are concerned.

Throughout any deliberation respecting comparabilities between governmental and private industry employees especially in the field of retirement, there should always be borne in mind the fact that the Government employee pays for his retirement in far greater degrees than most of the employees of private industry.

Then there is the psychological effect upon the employee, the contentment and satisfaction that flows to him because of the sense of security that grows when he knows that whatever may happen he is to a reasonable degree economically secure for the rest of his life. To say that this creates a better and happier mental attitude, thus resulting in a more interested, a more contented and effective employee is but to state the obvious.

In conclusion, it is our considered judgment that legislation authorizing voluntary retirement at the employees option upon the completion of 30 years' creditable service and a minimum of 55 years of age would be much preferred as a starter in this field.

On behalf of the officers and members of the National League of Postmasters of the United States, I wish to express our deep appreciation for the interest that each and every member of this great committee have evidenced throughout the years in matters affecting the advancement and welfare of our postmasters and their families.

The courtesy that you have extended me this morning Mr. Chairman is also deeply appreciated.

Mr. MORRISON. Any questions?

Mr. WALLHAUSER. I have no questions. I not with interest your approach to the legislation in emphasizing the fact that you recognize the practicality of the situation on the age 55, 30-year basis. I just want to emphasize this on the record and thank you for coming before us.

Mr. MORRISON. The Chair likewise appreciates the contribution you have made to the committee and thanks you for coming before us today. We are glad to have your views on this proposed legislation.

Mr. STOFFER. Thank you, sir.

Mr. MORRISON. The next witness the committee will hear is Mr. Glenn Simcox, president of the National Association of Retired Civil Employees.

STATEMENT OF GLENN R. SIMCOX, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY GEORGE L. NICHOLS, VICE PRESIDENT

Mr. SIMCOX. Mr. Chairman and members of the subcommittee. I would like to make a brief statement of the position of the National Association of Retired Civil Employees and file my prepared statement for the record.

Mr. MORRISON. Without objection, it is so ordered.

(The following statement was submitted for the record:)

PREPARED STATEMENT OF GLENN R. SIMCOX, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES

Mr. Chairman and members of the subcommittee, I am Glenn R. Simcox, president of the National Association of Retired Civil Employees, an organization of Federal retirees and survivors. I am accompanied by George L. Nichols, vice president, who has legislation as his main responsibility. We have more than 105,000 paid-up members, 35 State federations, and 875 chapters, with 1 or more in practically every congressional district.

We wish to endorse the principle of retirement at 30 years but cannot fully support H.R. 2909 or relative bills because they would apply only to those who will retire in the future. We strongly feel that provision should be made whereby one who had served his Government for 30 or more years in the past should have the benefit of retirement without penalty. There are thousands of former employees who retired between the ages of 55 and 60 with over 30 years of service who are suffering penalties of 5 to 15 percent in their annuities and would continue to be so penalized if these measures are adopted as presently proposed. Those in the military service can retire after only 20 years of service on a noncontributory basis.

There are many other examples of discrimination in the retirement system as it exists today. There are still retirees who in effect are taking a reduced annuity because they could only have credit for 35 years although they served

longer and made contributions to the fund for the years above 35. Also, an employee can now retire and provide for his survivor at a cost of only 2½ percent on the first \$3,600 in accord with Public Law 87-793, but there are retirees who are still suffering reductions of from 10 to 25 percent to provide for their survivors, even though in some cases those survivors are deceased. For these reductions the survivor annuity is limited to 50 percent of the original annuity for persons who retired prior to October 11, 1960, while the survivor annuity for those who retired since that date can be as much as 55 percent of the original annuity. Present retirees should have their annuities adjusted to conform to the provisions of Public Law 87-793 and thus give them equality with those now retiring.

We hope the House Post Office and Civil Service Committee will make a thorough study of all retirement benefits available to employees retiring currently as compared to related benefits now received by persons retired at various periods in the past, particularly concerning annuities, survivorship provisions and costs, disability provisions and health benefits with a view to developing legislation to correct disparities. We believe that if Congress establishes the true facts concerning the variations and benefits received for identical and comparable service we can expect prompt enactment of corrective legislation.

We respectfully but strongly urge this committee not to create further disparities by the enactment of this proposal without providing equal benefits for those already retired. With this exception we endorse H.R. 2909 and related bills and urge passage.

Mr. SIMCOX. Our association of Federal retirees is supporting this legislation but we do wish to point out that so many times in the past there has been legislation for the active employees with no comparative benefits for those already retired. This creates situations which later, very often, need to be adjusted. We urge that this committee give some thought to the inclusion of the Federal retirees on this basis.

In my statement I also point out some of the discrepancies that have developed because of this situation in the past.

I thank you, Mr. Chairman.

Mr. MORRISON. Thank you, Mr. Simcox. We certainly appreciate having you and your associate before our committee today and we thank you for your contribution, which I am sure will be helpful to the members of the subcommittee.

Mr. SIMCOX. Thank you.

Mr. MORRISON. The next witness we would like to hear is Mr. C. L. Dorson, president of the Retirement Federation of Civil Service Employees of the U.S. Government.

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE U.S. GOVERNMENT

Mr. DORSON. Mr. Chairman and members of the committee, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees of the U.S. Government; an organization of approximately 95,000 members, most of whom are presently employed in the Department of Defense.

We should like, first, to express our thanks to the authors of the bills before you, and to this committee, for the great interest in the Federal employee which make possible the consideration of this highly desired benefit.

Retirement after 30 years' service, without reduction for age, is not new on the Federal employee's "most wanted list" of benefits. It has been the subject of countless bills since 1920 and is probably the most desired benefit of them all. I know it tops the list of my organization's legislative aims and has for many years.

The proposal in H.R. 2909 is not without precedent in other retirement systems and even, to some extent, in the civil service retirement system which permits the retirement, under section 6(c), of certain employees at age 50 with only 20 years' service. Foreign Service officers enjoy the same privileges.

Probably the largest group of Federal personnel now entitled to optional retirement benefits without regard to age are those in the uniformed services. Both officers and enlisted personnel of the Army, Air Force, Navy, Marine Corps, Coast Guard, and the Military Nurse Corps may retire optionally, at any age; with as little as 20 years' service. Personnel of the Coast and Geodetic Survey and officers of the Public Health Service have such option after 30 years' service. It is worthy of note that all of these systems are noncontributory, but the employees subject to the civil service retirement system contribute 6½ percent of their pay toward the cost thereof.

The civilian employees of these agencies, working side by side with officer and enlisted personnel, find it hard to understand why they must wait for the infirmities of disability or advanced age, no matter how long their service, to enjoy retirement benefits available to their fellow employees who wear uniforms. We believe the working relationship is, in a great many instances, close enough to warrant a closer retirement relationship.

Among private systems providing benefits similar to those proposed in H.R. 2909 are those of the American Telephone & Telegraph Co. and its subsidiary companies. These also are noncontributory systems.

It seems reasonable to assume that the provision of these benefits, without cost to the recipients, must have some real and practical value to the employer as well as the employee, else they would not be continued. We believe the same values would obtain in the case of those to whom H.R. 2909 would apply.

In summary, we believe the provisions of H.R. 2909 to be wholly justified. Therefore, we heartily endorse H.R. 2909 and urge its early enactment.

Mr. Chairman, we are most grateful to the committee for this opportunity to express our views.

Mr. MORRISON. Thank you, Mr. Dorson. We certainly appreciate your contribution and we are sure your views will be helpful to the committee in its consideration of this bill.

Mr. DORSON. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness is Mr. John A. McCart, operations director, Government Employees' Council, AFL-CIO.

STATEMENT OF JOHN A. MCCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. MCCART. Mr. Chairman, with your permission, to conserve the time of the committee since the hour is late, I would like to have my statement filed with the committee for inclusion in the record.

Mr. MORRISON. Without objection, it is so ordered.

(The statement follows:)

PREPARED STATEMENT OF THE GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, the 25 AFL-CIO unions affiliated with our council appreciate deeply your action in scheduling an early hearing on bills permitting Federal employees to retire after 30 years of Federal employment with full annuity benefits. These organizations represent a wide cross section of opinion among classified, postal, and Wage Board employees of the Federal Government.

We wish, also, to extend our sincere gratitude to Representative Arnold Olsen, author of H.R. 2909, and numerous other Members of the House who have sponsored bills on this important subject.

The council has for many years supported proposals to permit Federal workers to retire upon completion of 30 years of service, without any age requirement. This objective has a high priority also on the programs of many of our member organizations.

Under the present Civil Service Retirement Act, the normal retirement age is 60 with 30 years of service. With this combination of service and age, the individual is entitled to full benefits. However, he may retire also between 50 and 60 after 30 years' service. In this case, his full annuity is reduced by one-twelfth of 1 percent for each month he is below 60 when he retires.

In view of these provisions, why should Federal Government workers be permitted to retire upon completion of 30 years of civil service work and receive full retirement benefits, regardless of age?

Certainly, we can all agree that 30 years devoted to a single employer represents a normal working career. While there are exceptions with individuals spending 40 or 50 years with a particular firm, they are just that—exceptions. When an employee spends his normal working lifetime in Federal service, it is our considered judgment that he should be able to cease his labors with a prospect of reasonable financial security.

As the pace of production accelerates in the various Federal agencies, increasing mental and physical effort is experienced by employees. Particularly where individuals are assigned to jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. This is true of many positions in the postal and Wage Board categories. Even though an individual in this class may not experience physical impairments sufficient to warrant disability retirement, he may still desire to cease work before the normal retirement age in order to preserve his health.

Under these conditions, it will benefit both the employee and the Government as the employer to permit him to retire with full benefits at an earlier age so that younger individuals may enter Government service.

As we are all aware, unemployment is a persistent, serious, and difficult problem in our country today. Even though some improvement has occurred in recent months, the rate of unemployed workers continues above 5 percent. Enactment of the proposal under consideration today will ease this national burden by making employment opportunities available to replace those Federal workers who retire.

In addition, approval of legislation of this kind will assist agencies to perform their missions more effectively by insuring a nucleus of skilled, younger workers, who can be trained to accept the responsibilities performed by their mature fellow employees.

The concept of retirement with full benefits for Federal employees with 30 years of service below age 60 is not new. During the disastrous economic depression our country experienced in the 1930's, Congress approved legislation allowing this type of retirement for Federal workers. Admittedly, the economic situation today differs substantially from the period 30 years ago. But the rationale of the earlier action applies with equal force in 1963. The object then was to provide an incentive for Federal workers with long years of service to retire so that their jobs would be available to younger men and women with families, who were in dire financial straits.

The trend generally has been toward earlier retirement. Several years ago, Congress approved full social security benefits for women at age 62, and an opportunity for men to obtain reduced benefits at the same age. This action marked a distinct departure from the 65-year age limit included in the Social Security Act since 1936.

Retirement is one of the most important aspects of the Federal personnel program. Turnover among employees is a continuing problem. An average of 170,000 Federal workers quit their jobs each year. Acceptance of the principle embodied in H.R. 2909 would provide an incentive for new employees to continue their careers in the Federal Government. The consequent saving in turnover costs is apparent.

The number of senior citizens in our population increases each year. Boys and girls are spending more years in school. To satisfy the ever-increasing demand for jobs for those who complete their education, it is essential that job opportunities be made available at a much faster pace than heretofore. The number of working years will have to be reduced as one means of providing additional jobs. Enactment of legislation similar to H.R. 2909 will help alleviate the problem so far as the Federal service is concerned, and will stand as an example of enlightened personnel management for others to follow.

As indicated above, an important feature of the council's legislative program is amendment of the present Civil Service Retirement Act to permit retirement on full annuity after 30 years' service, regardless of age. This is a desirable and justified improvement in the present retirement statute. Should Congress determine, however, that 30-year retirement at age 55 is a more practical step, a distinct improvement over the existing benefits will have been achieved.

We urge early, favorable consideration of this important retirement improvement by Congress.

On behalf of all of the affiliates of the Government Employees' Council, I desire to express their gratitude for the opportunity to comment on this important bill.

Mr. McCART. I would like to proceed with a few extemporaneous comments on this legislation.

Mr. MORRISON. You may proceed.

Mr. McCART. Our Government Employees' Council represents 25 AFL-CIO unions composed of classified, postal, and wage board employees of the Federal Government, and, as a result, in our view represents a significant cross-section of opinion among Federal employees.

Our purpose this morning is to express our wholehearted endorsement of H.R. 2909 and similar bills permitting Federal employees to retire after 30 years of Federal employment with full annuity benefits.

Mr. Chairman, the arguments that can be presented in favor of this legislation are numerous, and many of them have been presented already and I do not propose to repeat them, but there are several salient points I would like to bring to the attention of the subcommittee.

We think there can be little doubt that a career of 30 years represents a full working lifetime. While we find exceptions of folks who work 40 and 50 years for one firm, certainly the normal working span could be considered as 30 years.

In addition, as we are well aware, the pace of our life in this country has definitely accelerated. As far as the workers are concerned they are finding themselves governed by sophisticated machinery and such systems as the work measurement program in the Post Office Department, which a subcommittee of this committee has heard about in recent months.

Mr. MORRISON. Could I interrupt you there and ask if you are in favor of the continuance or the termination of the work measurement system?

Mr. McCART. Mr. Chairman, our council has taken action to support the numerous bills that are now pending before this committee to eliminate the work measurement system.

Mr. MORRISON. Do you think it has been given a fair trial and found to be practical and beneficial?

Mr. McCART. My own personal feeling is that the work measurement system results in the postal employees, specifically the clerks, being required to carry the burden of the entire post office operation on their shoulders rather than looking to improved management practices. I think it should be eliminated totally.

Mr. MORRISON. In my opinion there are many advantages and many disadvantages but the advantages are outnumbered by the disadvantages and therefore I am in accord with your position.

Mr. McCART. Thank you, Mr. Chairman.

Allusion has been made, Mr. Chairman, to this particular part of our problem in connection with retirement, and that is the question of unemployment and job opportunities. As we all know, our country is facing a critical situation in the years ahead with regard to providing job opportunities for young people leaving school and coming into the work force. Unemployment is a persistent problem. The rate of unemployed workers continues above 5 percent. Youngsters are spending more time in school, and the older people in our society are having longer longevity. There will have to be a way found for the young people to find employment. That will mean the working life of our citizens will have to be reduced. We think the legislation under consideration by this subcommittee would be a small contribution to that end.

Mr. MORRISON. If I can interrupt you there, I think you were present and heard the Chairman of the Civil Service Commission, Mr. Macy, testify. He made the point that when a person retired after 30 years there would be an economic impact when that person got another job after retirement. But I do not recall his mentioning this point, which I would like to ask you: When a person steps out and takes advantage of his 30-year retirement opportunity, if this bill is enacted, when he leaves, is there not some young person going to come along and take his place?

Mr. McCART. That is completely correct, Mr. Chairman.

Mr. MORRISON. Then, from an economic standpoint, one person retires but another person takes his place in gainful employment?

Mr. McCART. That is certainly true.

Mr. MORRISON. There may be an exception, but, as a general rule, every time someone retires, someone has to take that job in the Government, is that not correct?

Mr. McCART. That is right, Mr. Chairman.

Mr. MORRISON. Likewise, to elaborate on the very point you made about giving a younger person a chance to come in the Government, the person who is retiring—from an economic standpoint—would not be competing actually for the job that that younger person is trying to get, either in Government or in private industry, would he?

Mr. McCART. No, sir. As a matter of fact, I think we can recognize that more and more of our senior citizens are participating not just in gainful employment, but in many other activities. Our senior citizens are making a very fine contribution, for example, to improving community life in the places where they live. They are helping in all kinds of social activities to improve their communities. It does not necessarily follow because a person retires he is seeking other gainful employment that will deprive another person of a job.

Mr. MORRISON. I know of one instance where a person retired, and he wanted something to do. He wanted to supplement his income, and he wanted to have a gainful employment. Time was on his hands, so he took a job as a night watchman. I remember when that fellow moved away from the community and the job was open, a young man was trying to get a job, the employment agency told him the job was open, and the young man said, "That is a job for an older person. That is not for a young person like me."

That may be a crude example, but does not that just about fit the occasion from the standpoint of economic impact, and does not that give the other side of the picture from what Chairman Macy has been saying?

Mr. McCART. It does. I think our economy is capable of continuing to produce these so-called fringe jobs which are not desirable to the normal person having a family and needing full-time employment with a relatively high stable salary, but which are the kind of jobs that would appeal to an individual who is retired and still wants to serve a useful purpose.

Mr. MORRISON. Actually, the word "job" has many ramifications and many qualifications, and when you come out bluntly and say, "This will cause an economic impact, and will result in a hardship on people trying to get a job," I do not see it that way.

Mr. McCART. I would like to refer to testimony that was delivered earlier this morning indicating that approximately 3,000 employees were eligible to retire between the ages of 55 and 60 in 1962.

Let us assume that we not accept the Civil Service Commission figures, but increase them. You will recall they referred to a possible increase of 75 percent in retirements as the result of this legislation. Assuming that it be 100 percent, and accepting the figure given this morning of 3,000, that would mean a total of 6,000 Federal employees out of a total employment of 21½ million who would be moving into the labor market potentially. It is hard for me to conceive this would have an impact on the total economy of our country, so I agree with you completely.

Mr. MORRISON. And you do not think the number would be anywhere near the figure cited?

Mr. McCART. No.

Mr. MORRISON. Even if you assume for the purpose of argument it would be the maximum of what was testified to, you do not necessarily agree with it, is that right?

Mr. McCART. Yes.

Mr. Chairman, reference has been made earlier in the hearings to the possibility of amending the pending legislation to make it effective at age 55.

Our council and the member unions have, for years, supported the proposal included in H.R. 2909.

If the committee should decide that language should be added to the pending bill, making it effective at age 55, we would not object to that proposal, and we think it would be a step in the right direction.

In that connection, Mr. Chairman, let me bring this to your attention: If the legislation were to pass in that form—30 years' service at 55 years of age on full annuity—it would result in a maximum improvement of 5 percent over what an individual could receive now under the present retirement law.

As you know, an individual who retires below age 60 with 30 years service loses 1 percent per year, so the maximum benefit that could be achieved over and above the present provisions of the law would be 5 percent.

I mention that, Mr. Chairman, only to indicate that I think the disadvantages of this kind of legislation have been overemphasized out of proportion.

I want to express our appreciation to you and the other members of your subcommittee and to the sponsors of these various bills for their sympathetic understanding of this problem. I want to reiterate support of the council for the pending legislation.

Mr. MORRISON. The committee is indebted to you and it is very appreciative of your appearance here today, and your splendid contribution to the committee on this very important subject.

You have been a witness here on many occasions, and a very excellent witness on all occasions. This certainly has been no exception. You represented your group in an excellent fashion.

I am sure the views you have expressed will be very helpful when this bill comes before the committee for final consideration.

Mr. McCART. Thank you, Mr. Chairman.

Mr. MORRISON. The next witness will be Mr. John G. Brady, legislative chairman, National Association of Internal Revenue Employees.

STATEMENT OF JOHN G. BRADY, LEGISLATIVE CHAIRMAN, NATIONAL ASSOCIATION OF INTERNAL REVENUE EMPLOYEES; ACCOMPANIED BY GEORGE BURSACH, SECRETARY-TREASURER, AND JOHN L. BARNES, SR., NATIONAL CIVIL SERVICE CHAIRMAN

Mr. BRADY. I am legislative chairman. On the right, George Bursach, secretary-treasurer, and on my left, Mr. John L. Barnes, Sr., the national civil service chairman.

Mr. MORRISON. You gentlemen are the last witnesses this morning, but by no means the least important.

I would like the record to show it was my privilege to be present at one of your regional conventions where I had the opportunity of viewing firsthand a great deal of the work of your members.

I can certainly say from firsthand observation, that as legislative chairman of this organization, I know of no person more dedicated as proved at that gathering of various members of your organization.

You showed you were dedicated to your group, and I was very much impressed with the work and representation that you had supplied in your respective offices.

It is certainly a privilege and pleasure to have you here before us today.

Mr. BRADY. Thank you very much.

I would like to waive reading of the brief and file it with you.

Mr. MORRISON. Without objection, it is so ordered.

(The statement referred to follows:)

STATEMENT OF THE NATIONAL ASSOCIATION OF INTERNAL REVENUE EMPLOYEES

Mr. Chairman and members of the subcommittee, I am John G. Brady, legislative chairman of the National Association of Internal Revenue Employees, accompanied by George Bursach, executive secretary-treasurer. Our association of over 27,000 members strongly urges and recommends the enactment of this

bill (H.R. 2909) to grant civil service employees optional retirement with full benefits after 30 years of service.

During our national convention in September 1962 at Atlantic City, N.J., we adopted the following:

"We believe that many of our employees with 30 or more years of service would avail themselves of the opportunity of retiring at an age earlier than now possible; and

"Whereas 30 years of service is universally accepted as a period of full and complete service; and

"Whereas the Congress of the United States recognizes retirement on age and length of service: Therefore be it

Resolved, That our association petition Congress to authorize optional full retirement after 30 years of Federal employment regardless of age."

NAIRE urges the enactment of this legislation for the following far-reaching benefits to the Federal service.

1. It will attract the young men and women to embark upon a career with the Federal service, knowing they will be assured of promotional opportunities during their years of service.

2. It will enable older employees, who have given their years of loyal hard work, to retire, if they so desire, with a reasonable economic security.

3. It will be in keeping with private industry, where early retirement is available for older employees who, for health reasons, cannot carry on the strenuous pressure of their present position.

4. If this bill is passed, it would create employment and promotional opportunities for younger and more vigorous personnel, and reward long service.

5. We think that, with the progress we are making in industry and government through automation, improved methods of production, and the scientific progress through medicine, the retirement period has become more and more important.

6. Our Government should look to the future with a view toward the ever-increasing problem of maximum employment, in light of the steady increase in this country's population. This bill would create many opportunities to employ individuals in job openings that do not exist under the current retirement law.

Mr. Chairman, with the needs of the Nation as they are, with relation to the employment situation, the passage of this legislation would not only be timely, but would be extremely wise. Our association believes that an Internal Revenue employee, who has worked 30 years, should be entitled to the option of retiring at full annuity.

We do not expect this legislation to cause abnormal turnover in the Federal service, but it would serve as a morale stimulant to those already in the service, as well as those contemplating a career in the Government service.

We believe it would be both wise and just to pass this legislation, and we respectfully request this committee to give it early and favorable consideration.

I thank you for your interest and I appreciate the opportunity of endorsing this important legislation.

Mr. BRADY. I have two points. Our organization sent out 32,000 questionnaires a short time ago on key legislation for 1963, and this bill is the top of the list.

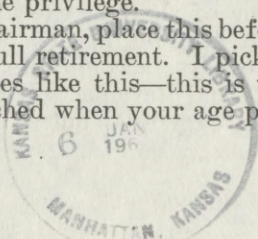
Mr. Barnes sent out 3,000 as far as Washington, D.C., is concerned.

Yesterday I checked our office in Richmond. We have 650 employees here south of Washington, D.C.

For the year 1962, they are worried about people retiring early, in checking the records for 1962 we had 15 retire in 1962 in Richmond out of 650.

By the way, the nine optional were all over 60 years of age and with more than 30 years of service, so I do not think we will have any wholesale quitting. We just would like to have the privilege.

In closing, I would like to have you, Mr. Chairman, place this before your committee and try it for size as far as full retirement. I picked this up from a large corporation, and it goes like this—this is the formula: "The date of full retirement is reached when your age plus your years of service total 80."



Try that on the committee during the debate. It works out fairly well.

Thank you, Mr. Chairman.

Mr. MORRISON. We certainly thank you and I shall certainly try that out.

You were present when I was talking to the gentleman representing the customs employees. I know the employees in the organization you so ably represent are likewise specialists.

The general public gets the idea that when you say "Government employees" that that is a particular type of employment as compared with those in private enterprise. They do not go into detail in their thinking and in their conversations regarding Government employees. Within that large group there are small groups of specialists who have to be very unusual and dedicated individuals and perform that particular function which is different in many respects from other types of Government work.

In your particular group there is a certain spirit of dedication and self-discipline which an employee needs in order to be capable and qualified because on many occasions it is not a pleasant task but it is a most exacting and vital task and it has to be done properly and without favoritism.

In your particular job, it is not the most pleasant operation in the world. It takes a lot of discipline and dedication. And it takes a lot of expert knowledge both as to tax structures and various rulings involved and almost an innate ability to size up human beings. You require many attributes to be successful in your work.

I have talked to one or two individuals I knew real well and frankly they were honest enough to say they didn't think they were qualified for the job. After they tried it a while they said they would look for something else. Frankly, I had to have admiration for them.

However, somebody has to do it. It is one of the most important functions of Government and at the same time, with many of its drawbacks in comparison to other jobs, it seems to me the morale feature would fit into your particular group perhaps more so than in any other group.

People who are dedicated and stay in the service for 30 years certainly should like to be the persons who would say "I have a choice now, either continue or get out."

Is not the morale factor rather important to those in your particular group?

Mr. BRADY. Mr. Chairman, for the last several years this bill has been No. 1, and you stated it very, very well. Morale will go right straight up. There is no question about it.

Every day we compete with the top lawyers and CPA's. It is nerve-racking. We are competing with good people.

It would up the morale. There is no question about it.

Mr. MORRISON. I find what you say to be true from the other direction. You explained it from your standpoint but I have talked to some of the best executives and some of the finest businessmen and they keep telling me, "We hire the best brains we can get. We have attorneys, accountants, and we even try to hire people from the Internal Revenue. It is amazing to us the ability of the very people we are trying to outwit."

They say the payment of taxes is so involved, so complicated, and so important, especially in their profit and loss statements, and they have been impressed over the years with the employees in the Internal Revenue Service.

That brings to mind the point I make at this time—it is not everybody who is suitable to work in your department and become a specialist in that particular field.

When you say morale will go up, I think that is most important. It seems to me there will be no wholesale abuse of it, but the fact you can use the retirement option gives you a different outlook so far as the employees of your organization are concerned.

Mr. BRADY. Just the privilege, Mr. Chairman, will help us. There is no question about it.

Mr. MORRISON. Whether or not you use it?

Mr. BRADY. That is correct. As I showed you, in a small district of 650 people, only 9 took the option, and they were all over 60, so there will be no wholesale quitting.

As you say, it will help morale.

Mr. MORRISON. You feel so far as any economic impact in your organization is concerned, if a man is in bad health and just can't continue and feels he should retire, there will be somebody else taking his place?

Mr. BRADY. That is right. I will have my 30 years the 18th of this coming month. I want to continue, if possible. I feel good.

Mr. MORRISON. At the same time you are for this bill personally—

Mr. BRADY. Not from any selfish standpoint.

Mr. MORRISON. Representing your organization you are for it, but at the same time speaking personally you are for it even though you would not take advantage of it. However, you would like to have that option if you desire to change your mind?

Mr. BRADY. That is right.

Mr. MORRISON. Then you feel this is a one-sided viewpoint. Practically all are for it and none of your organization oppose it?

Mr. BRADY. The survey shows this.

Mr. MORRISON. You went to the expense and trouble of questioning these people.

Mr. BRADY. 32,000.

Mr. MORRISON. So you could present to the committee exactly your own views and those of your membership?

Mr. BRADY. That is correct.

Mr. MORRISON. I think that is most commendable. That will perhaps be used as an example.

I know of no other organization which has done that. There may be others but it has not been brought to my attention. I want to commend you on it.

Mr. BURSACH. Both Mr. Brady and Mr. Barnes—Mr. Brady as he stated particularly—made the survey on a national basis with all our chapters throughout the country, and Mr. Barnes made the survey in the national office here among 4,000 employees, so they have the information available and we would be more than happy to present it to your committee as part of the record if you wish it.

Mr. MORRISON. Just a short summary of what you found is sufficient.

Without objection, that will be filed.

The committee wants to thank you gentlemen. We appreciate your very valuable contribution here today to give us the benefit of your views. We also have had the only presentation of an overall survey of Federal employees.

Mr. BRADY. Thank you, Mr. Morrison.

Mr. MORRISON. Thank you, gentlemen. We appreciate your being here.

Without objection, let the statements of Mr. Everett G. Gibson, president, National Federation of Post Office Motor Vehicle Employees; Mr. Smith, president, National Alliance of Postal Employees; Mr. Harold McAvoy, president, National Association of Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders, be filed in the record.

(The statements referred to follow:)

STATEMENT OF EVERETT G. GIBSON, PRESIDENT OF THE NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES, AFL-CIO

Mr. Chairman and members of the committee, my name is Everett G. Gibson and I am the president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO, with offices at 412 Fifth Street, NW., Washington, D.C. We represent all motor vehicle service employees employed by the Post Office Department.

We wish to thank the chairman and members of the committee for scheduling hearings on H.R. 2909, and to Congressman Olsen for his interest in introducing H.R. 2909, also to other Congressmen who have introduced similar legislation providing either for a straight 30-year retirement or 30 years at the age of 55 without a reduction in annuities.

It is our honest opinion that if H.R. 2900 were to be enacted, that the total number retiring under the provisions would not be greatly increased. That if enacted, it would furnish additional opportunities for those unemployed and those who may seek employment after completing their education.

Our organization has adopted resolutions at our national conventions during past years, in favor of a 30-year retirement for our members, without a reduction in their annuity. Therefore, we endorse H.R. 2909 and sincerely hope that the committee will report this legislation favorably to the full committee and that it will be enacted during the 88th session of Congress.

I thank you, Mr. Chairman and members of the committee, for allowing me this opportunity to express the viewpoint of our organization on this legislation and sincerely hope that it will be approved by this committee. Thank you.

STATEMENT OF HAROLD McAVOY

Mr. Chairman and members of the subcommittee, for the record my name is Harold McAvoy. I am national president of the Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders, and employees assigned to the Bureau of Facilities. We belong to the AFL-CIO and the Government Employees' Council. Our national office is located at 900 F Street NW., Washington, D.C.

Mr. Chairman, our national organization has fully endorsed H.R. 2909 and the retirement bills related. Our membership feels that legislation of this sort is long past due. I hope you will agree, Mr. Chairman and members of this committee, that moving the mail in bulk for 30 years is quite a job, and the right to retire after 30 years of this sort of work is not asking for too much. There is no doubt that of all the jobs in the postal service our job of moving the mail is the most hazardous.

We honestly believe that the right to retire on full annuity after we have 30 years of service is quite in order. Many of our membership after 20 to 25 years of service commence to have bad backs, bad legs, etc., but due to the responsibility of a family man it is difficult to retire on disability, let alone retire after 30 years of service at age 55.

We believe the cost of this legislation will not be too great; that it is sound to permit earlier retirement on full annuity.

I will close this brief, gentlemen, with the sincere hope that this committee will give speedy and favorable consideration to the bills before you.

Thank you for the privilege of appearing before you.

Mr. MORRISON. We shall next hear from Congressman James G. Fulton, of Pennsylvania.

Mr. Fulton.

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

Mr. FULTON. Mr. Chairman and members of the committee, thank you for extending the courtesy of permitting me to testify before you on the subject of adequate retirement for postal and Federal workers.

I have a keen interest in this subject and have introduced one of the bills being discussed at this hearing, H.R. 2865, which would permit retirement after 30 years of service without a reduction in annuity.

Mr. Chairman, the U.S. Government should be the pace setter nationally in the field of labor-management relations. The Government should be the model which private industry should follow. This has not been true. In fact, recently the reverse has been the fact. The Federal Government has consistently lagged behind private industry in the matter of pay, retirement, promotional opportunities, fringe benefits, and conditions of work. The U.S. Government has, traditionally, moved ahead slowly in benefits for its employees and, in many cases, the only reason it has moved ahead at all is because the Members of the Congress have taken the initiative and forced it to move toward progress.

This is certainly true in the area of retirement. For years, the employee organizations, led by the National Association of Letter Carriers, struggled to get a retirement plan adopted by the U.S. Government. Success only came as recently as 1920, when almost every modern industry had developed a retirement program of its own.

When the Federal Government did come up with a program for its employees, it hardly created a model for the rest of the country to follow. The age limit—originally 65—was too high; the size of the annuities—\$180 to \$720 a year—far too low. Improvements in this retirement picture have been slow in coming and when they have arrived, they have been small steps toward progress.

Congress can make a significant step forward if we pass the legislation the committee is now considering. Certainly 30 years of dedicated service is enough to ask of our Government employees. This is particularly true of the postal service, where many of the jobs are physically, as well as mentally, demanding. To insist that a man perform physical arduous duties until he is 63 years of age is not necessary in this day and age. I believe we should all be agreed on the humanitarian aspects of this legislation, so I would like to dwell for a moment on the practicalities involved.

Official figures show that more than one-third of all our Federal retirees are disability cases. They also show that accidents and injuries occur far more frequently as the employee gets older. A letter carrier—to choose one example out of many—is far more likely to

strain his heart, or to slip and fall on the ice, or to suffer sunstroke, or to incur any of the other usual occupational disabilities when he is in his sixties than when he is in his thirties.

By insisting that a man work until he is 63 years of age we are forcing up the disability retirement rate, at considerable unnecessary expense to the taxpayer.

Then again, Mr. Chairman and members of the committee, some persons grow older faster than others. Throughout the postal and classified service we have thousands of employees who are too infirm to be efficient, but not yet old enough to retire. It is not the fault of these employees. The infirmities of age have been visited on them a little earlier than on their colleagues. But, through no fault of their own, these are relatively unproductive workers who are essentially "marking time" until they can reach the magic age of 63 and enter into well-deserved retirement with their small annuity unimpaired.

I feel that if these older employees were permitted to retire decently and with honor, they would be replaced by more vigorous and more productive younger persons, and the general efficiency and "tone" of the Federal employment service would benefit. And, of course, the U.S. taxpayer would be getting more for his tax money. An employee who, through no fault of his own is becoming inefficient, is not doing anyone any good, either for the Government or himself, and it is far better that he be permitted to retire.

I am convinced that the cost of this bill will be relatively small. There is not going to be a general retirement of all postal and Federal employees who have 30 years of service. The annuities we pay our retired workers are too small to induce anyone to retire who does not feel he should and must retire. If we pass this legislation, it will affect only those who need it most—the men and women who cannot perform their work with full efficiency, and whose physical or mental condition will make retirement attractive. Under our Federal retirement program today I feel confident that any employee who is normally sound in body, limb, and mind will continue to draw full pay as long as he can, rather than reduce his economic condition as prematurely and drastically as the present annuities would force him to do.

Mr. Chairman, I feel this is important legislation. I feel it is germane, practical and necessary, and I sincerely urge that this committee consider it favorably.

Thank you.

Mr. MORRISON. Thank you, Mr. Fulton.

The next witness is Hon. Thomas M. Pelly, of Washington.

STATEMENT OF HON. THOMAS M. PELLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. PELLY. Mr. Chairman, I appreciate greatly the way in which you have scheduled hearings on H.R. 2909 and of other legislation pending before this subcommittee to allow postal and other Federal employees to retire after 30 years of service without reduction in their annuities because of age.

My appearance before you is motivated by my conviction that in every aspect Government service should be equal to the attraction of that afforded the citizens of the United States by the private industry of the United States.

In earlier testimony, that you have received, it has been declared that the 30 years of service required for retirement under the legislation you are now considering is accomplished by less than 5 percent of all Federal employees. Consequently, it should be recognized that we are now talking about a tiny minority of Federal employees. If 95 percent of all such persons are excluded by the nature of the tenure of their employment from coverage under this legislation, then it must follow that to give real significance to this legislation, it is necessary not only to provide the 30-year optional retirement, but also to adjust the entire fabric of Federal employment in such a way as to insure that citizens will enter earlier into Federal service and make such service their career. It is difficult to say whether we are attempting to deal here with cause or effect. The fact that fewer than 5 percent of all employees attain 30 years of service may be caused by failure of this Congress to enact the type of legislation you are now considering. Conversely, the 5-percent career pattern may be the effect of too long a delay in attending to retirement fundamentals such as those we are now considering.

Mr. Chairman, since the retirement system began, four decades ago, the salary deductions from employees has amounted to more than \$10 billion. In that same length of time, less than \$7 billion has been paid in annuities to retired employees.

In the fact of such an imbalance, I find myself unable to understand all the excitement over a deficit in the retirement fund. In that same period total disbursements have been less than half of the total receipts. The figures here are more than \$20 billion as against less than \$10 billion.

In the fact of the large contribution by the employees as against the relatively small payments from the civil service retirement fund for annuitants, I confess that the actuarial case is less than fully persuasive and I suggest to you, Mr. Chairman, that whether we are dealing here with cause or with effect, simple equity requires that we approve legislation of this type for the protection of our loyal postal and classified Federal employees.

I am proud to be a part of a Congress that has built gradually a most enviable retirement system. I believe that in the fact of the record it is possible willingly to concede that there is still room for further improvements without endangering in the slightest the financial solvency of our program.

Because the program is vitally needed by persons who should retire but who are not able to retire; because partially disabled employees particularly are unable to retire without penalty as soon as they ought to retire; because the entire civil service system of the United States is built upon the foundation of making it attractive as a career service in which too few people are attempting now to attain the 30-year career level; and because the cost of the program is and would be financially supportable, I urge my colleagues on this distinguished committee to consider favorably the legislation to provide 30-year optional retirement without reduction in annuity. Furthermore, I declare my very real satisfaction over the announcement that when your work on 30-year retirement has been concluded, you intend to go into other aspects of the civil service retirement structure.

I consider the program to be immensely worthwhile, and I declare to you my earnest hope that favorable action may be taken quickly.

Mr. MORRISON. Next we shall hear from Congressman Jacob H. Gilbert, of New York.

STATEMENT OF HON. JACOB H. GILBERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. GILBERT. Mr. Chairman and members of the committee, your committee has under consideration my bill, H.R. 327, to amend the Civil Service Retirement Act to authorize the retirement of employees after 30 years of service without reduction in annuity, as well as numerous other bills on this subject of retirement.

This legislation has wide support. You have heard testimony by representatives of the National Association of Letter Carriers, the National Rural Letter Carriers Association, the National Postal Union, the United Federation of Postal Clerks, and others, who have shown the need for, and the fairness of, this proposed legislation.

By the time a person has worked for the Federal Government for 30 years, he has given the best years of his life to his job, and 30 years is a long time. It seems only fair that when he has completed 30 years of service, he should be permitted to retire regardless of age, without any reduction in annuity because of earlier retirement. Our conscientious and faithful postal workers and classified Federal employees are entitled to this consideration and assistance. They deserve a few years of leisure in which to travel, to pursue hobbies, to enjoy life, while their health is still good and they have the energy to carry out their retirement plans.

Many persons have written me, stating that they are in poor health and suffering, but they cannot afford to retire at the reduced annuity they would have to accept because they have not reached the age of 60. Most persons between the ages of 55 and 60, suffer some deterioration in their general health; many have severe ailments. Yet, they have to struggle to work day after day, looking forward to reaching the age of 60, when they can afford retirement.

We must admit that the Federal Government has never been overly generous regarding salaries. The vast majority of Federal employees receive pay in the lower brackets of income. Considering the high living costs and high taxes they have to meet, they find it impossible to save very much money, and when they have dependents, they can barely make ends meet. These people need every cent of their retirement benefits.

There is at present a high rate of unemployment in our country. In New York City alone, there are many thousands of unemployed persons who have passed U.S. Civil Service examinations and are on the registers, waiting to be called for appointment. If civil service employees were given the opportunity to retire, as provided in my bill, the vacancies created would be filled by the young people who desperately need work and who should be given the opportunity to start their Federal careers.

I am hopeful that your committee will take favorable action on the legislation before you. Our Federal employees highly merit this assistance.

Mr. MORRISON. Thank you, Mr. Gilbert.

We will hear next from our colleague, Hon. Richard E. Lankford, of Maryland.

**STATEMENT OF HON RICHARD E. LANKFORD, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MARYLAND**

Mr. LANKFORD. Mr. Chairman, and members of the subcommittee, thank you for the opportunity to appear before your subcommittee in behalf of my bill, H.R. 2345, which would permit Federal employees to retire on reduced annuity at age 55 following 30 years of service, and on other legislation designed to liberalize the Federal retirement system currently before your subcommittee.

First, let me say, at the risk of appearing to contradict myself, that I am not at all convinced that H.R. 2345 is the most desirable retirement proposal before your subcommittee, but I am thoroughly convinced that the Federal retirement system needs to be liberalized. I introduced H. R. 2345 as a means of providing another alternative to be studied by your subcommittee when it took up this matter.

My conviction that the retirement system should be liberalized is based on several reasons, but my main point is that we are now living in an age when flexibility and mobility in one's life are becoming more possible and more desirable every day. This is an era when more people have more money with which to do the things and make the trips that they have long dreamed of doing and making. A variety of factors make it quite feasible that in the middle or later years of their lives they should fulfill these dreams. But a person cannot fulfill these dreams if he is bound to a job, which he admittedly wants to quit, for a few more years in order to get retirement benefits. Therefore, I think it is only fitting that the Federal Government should encourage this type of delayed activity—provided it would not have an adverse effect on the retirement system—by liberalizing the retirement program in some reasonable way.

The administration argues that further liberalization of the retirement system would put a strain on the retirement fund which it possibly could not stand. No doubt this is true, if their experts have so testified, but if the Federal Government would put into the fund its accumulated share there would, I believe, be no undue strain on the fund as a result of further liberalization.

In addition, the administration argues that further liberalization of the retirement program would open the gate for the untimely departure of experienced and highly skillful employees from whom the Government has as yet not gotten full benefit. Possibly this also is true, but I submit that the majority of persons who would retire early under a new option would not be the ones who are in such demand by the Government, but the ones who generally hold clerical or similar positions. Replacements for these people can be quickly trained with little loss in the proficiency of operation in the agency involved. Furthermore, by Chairman Macy's own admission during testimony in May before the Senate Post Office and Civil Service Committee, the largest number of those who go into voluntary retirement are those who do so because of less than perfect health. These persons, quite obviously, are not able to give top performance to their jobs.

In reading the testimony presented to the Senate committee on this problem, the one administration argument which struck me as quite sound was that to permit retirement after 30 years of service without reduced annuity if the person had not yet reached 60 years of age would result in that retiree, over the long run, getting much more money from the retirement fund during his retirement period than the man who retired at 60 following 30 years of employment. This was one of the reasons for my introducing a bill which retains the reduced annuity principle, while at the same time increasing the opportunity, for those who so desire, to retire before working 30 years. However, at the same time I am strongly persuaded by the argument that when a person has worked a full 30 years for the same employer, the substantial part of any person's working life, he deserves the option of retiring if he so desires.

Finally, let me reiterate my firm belief that there should be some liberalization of the Federal retirement program, regardless of whether it takes the form I have proposed in H.R. 2345, one of the different forms proposed by our colleagues, or in a combination of several existing proposals. I know that your subcommittee, in its wisdom, will develop the most appropriate solution.

Mr. MORRISON. If there is nothing further we stand adjourned, subject to the call of the Chair.

(The hearing adjourned at 12:50 p.m., July 31, 1963.)

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