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CIVIL SERVICE RETIREMENT BENEFITS

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HEARINGS BEFORE THE COMMITTEE ON OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS SECOND SESSION ON H.R. 2155 and related bills

A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT,
AS AMENDED, TO PROVIDE ANNUITIES FOR SURVIVING
SPOUSES WITHOUT DEDUCTION FROM ORIGINAL ANNU-
ITIES, AND FOR OTHER PURPOSES

AUGUST 12 AND 13, 1964

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



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HEARINGS

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SUBCOMMITTEE APPOINTED TO CONSIDER H.R. 2155 AND RELATED BILLS

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CIVIL SERVICE RETIREMENT BENEFITS

WEDNESDAY, AUGUST 12, 1964

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

The subcommittee met, pursuant to notice, at 10:45 a.m., in room 215, Cannon House Office Building, Hon. James H. Morrison (chairman of the subcommittee) presiding.

Mr. MORRISON. The subcommittee is meeting this morning to receive testimony on H.R. 2155 and related bills, which would amend the Civil Service Retirement Act so as to provide for the payment of benefits to surviving spouses of Federal retirees without deduction from the primary annuities of the retirees.

This legislation would afford automatic annuity protection for surviving widows and widowers of all civil service retirees on the annuity roll when the legislation becomes effective and of all Federal employees who retire in the future. Persons who have already retired and accepted reduced annuities in order to provide survivorship protection will have the full measure of their primary annuities restored as of their retirement dates, plus any annuity increases that have been granted by law since such dates.

(H.R. 2155 follows:)

[H.R. 2155, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act, as amended, to provide annuities for surviving spouses without deduction from original annuities, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (a), (c), and (e) of section 10 of the Civil Service Retirement Act, as amended, are amended to read as follows:

"SEC. 10. (a) If an employee or Member dies after having retired under any provision of this Act or under prior retirement laws and is survived by a wife or husband to whom he or she was married prior to retirement, or for at least three years if married after retirement, such wife or husband shall be paid an annuity equal to 55 per centum of the annuity received by such annuitant at the time of death. The annuity of such survivor shall begin on the first day after the date of death of the retired employee or Member, and such annuity or any right thereto shall terminate upon the survivor's death or remarriage."

"(c) If an employee or Member dies after completing at least five years of civilian service, the surviving wife or husband of such employee or Member shall be paid an annuity equal to 55 per centum of an annuity computed as provided in subsection (a), (b), (c), (e), and (f) of section 9 as may apply with respect to the employee or Member. The annuity of such wife or husband shall begin on the first day of the month after the date of death of the employee or Member, and such annuity or any right thereto shall terminate upon death or remarriage of such wife or husband."

"(e) In case an employee or Member separated from service with title to a deferred annuity under this Act or prior retirement laws, either prior to, on, or after the effective date of the Civil Service Retirement Act Amendments of 1956, shall hereafter die before having established a valid claim for annuity and is survived by a wife or husband to whom married at date of separation, or at least three years preceding death if married after separation, such wife or husband (1) shall be paid an annuity equal to 55 per centum of the deferred annuity of such employee or Member beginning the first day following the date of death of such employee or Member and terminating upon the death or remarriage of such surviving wife or husband, or (2) may elect to receive a lump-sum credit in lieu of annuity if such wife or husband is the person who would be entitled to the lump-sum credit and files application therefor with the Commission prior to the award of such annuity."

SEC. 2. Subsections (h) and (i) of section 1 and subsection (g) of section 9 are repealed: *Provided*, That the remaining subsections of such sections are redesignated as appropriate.

SEC. 3. This Act shall be retroactive to grant annuities to the unremarried spouses of all retired employees or Members who died prior to its approval.

SEC. 4. Notwithstanding any other provision of law, this Act shall take effect on the first day of the third month following its enactment and all annuities affected hereby shall be recomputed on such date as though this Act had been in effect at the time of original computation: *Provided*, That no resulting annuity or increase in annuity shall be payable before the effective date of this Act.

SEC. 5. Notwithstanding any other provision of law, the benefits provided by this Act shall be paid from the civil service retirement and disability fund.

Mr. MORRISON. Because of the lateness in this 2d session of the 88th Congress and the very limited time for consideration of this important legislation, the subcommittee will proceed immediately to hear the witnesses who have been scheduled this morning.

The subcommittee will hear a number of statements in support of this legislation by sponsors of the various retirement bills, other Members of Congress, and representatives of Federal employee and retirement groups.

Congressman Huddleston, our distinguished colleague from the State of Alabama, has a statement, and we shall hear him as our first witness.

STATEMENT OF HON. GEORGE HUDDLESTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. HUDDLESTON. It is a privilege for me to appear before your fine subcommittee in behalf of the civil service retiree legislation. I recognize that over the years this committee has been very considerate and sympathetic of the needs and desires of our civil service retirees who have rendered long and faithful service to our Government. I want to join with them in expressing our personal appreciation to you for the opportunity to appear here this morning.

Mr. Chairman, my interest concerns all the Federal retirees and their survivors.

The lead of this committee in periodic reviews of past retiree laws to adjust them to today's realities must be recognized by the Congress of these United States. Your committee, in considering bills before it today, can move in this direction and should.

I heartily support some form of increase in annuities for our former career Government workers. I believe equalization of a retired worker's benefits with present-day costs is very important. Thousands upon thousands of retirees are in drastic circumstances because of inflation. Most of these retirees paid for their annuities with sound 100-percent dollars—they get 30-cent dollars now.

Your committee has before it some 17 bills. These cover a basic 5-percent increase or a 3- to 4-percent increase. They cover a field of recomputation where a retiree had to take more than 2½ percent deduction to protect his spouse, and importantly they cover many needed improvements to help the surviving widows.

We have done much in this Congress to bring to par, salaries of ourselves, the Federal employee and the military. Let's not forget that it is only in the last 8 years that our retirement system has become more liberal, and let's not forget that we have thousands who retired many years ago when their salaries were low and when there was a less liberal retirement formula than now. Let's not forget the inroads inflation has made on fixed incomes in recent years. Let's not forget that these folks once carried the burden of Government as we do today.

Would we like to change places with them? No, I think not because in recent years the changes have improved the retirement system. These changes make the present day retirement system more attractive to us—we just couldn't afford to step back.

My plea is to do something in this Congress to help bring our retirees to par. The cost of living continues to go up and as time moves on our fellow workers of former years will find their retirement dollars buying less and less and their financial problems growing and growing. Now is the time to do something for them.

Mr. MORRISON. We thank you for your contribution and your statement.

Mr. HUDDLESTON. Thank you, Mr. Chairman.

Mr. MORRISON. Mr. Beckworth, do you wish to make a statement?

Mr. BECKWORTH. Mr. Chairman, I will not be privileged to be here the whole time, but I do want to say I appreciate the gentleman's interest. We all recognize the great need of our retirees for additional help. I do hope, even in the short time left, we shall have an opportunity to discharge our duties appropriately with reference to this very worthy group. I, for one, shall support efforts to do that.

Mr. MORRISON. The next witness will be the Honorable John W. Macy, Jr., Chairman of the U.S. Civil Service Commission.

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

Mr. MACY. Thank you, Mr. Chairman.

I am accompanied this morning by Andrew E. Ruddock, Director of the Commission's Bureau of Retirement and Insurance.

Mr. Chairman and members of the subcommittee, I am pleased to appear today in connection with your consideration of H.R. 2155 and related bills, proposing to revise past and present provisions of the Civil Service Retirement Act with respect to annuities for surviving spouses.

Effective the first day of the third month following enactment, any of these bills would provide new or expanded spouses' survivor annuity benefits or protection in many types of cases under the retirement law, including—

All retirees currently on the roll and all who retire in the future; all employees separated at any time with title to deferred annuity;

all retirees who have died prior to enactment of the legislation; and all employees who die in service in the future after 5 or more years' service.

My letter of October 17, 1963, contains a detailed analysis of the various changes proposed by this legislation and sets forth the Commission's reasons for strongly recommending against enactment. If you agree, Mr. Chairman, I believe it would be well to incorporate that letter in the record at this point.

Mr. MORRISON. Without objection, the letter will be incorporated in the record.

(The letter follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., October 17, 1963.

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

DEAR MR. CHAIRMAN: This refers further to your requests for Commission report on H.R. 2155, H.R. 3296, H.R. 6395, H.R. 6430, and H.R. 8335, identical bills to amend the Civil Service Retirement Act, as amended, to provide annuities for surviving spouses without deduction from original annuities, and for other purposes.

All five bills need technical correction in two respects. If any is considered, the annuity beginning and ending date provisions throughout section 1 should be revised to read "shall commence the day after death" and "shall terminate the last day of the month before." This will maintain the effective date concepts installed for all survivor annuities by Public Law 86-713. Also, for completeness provision should be added to amend section 10(b) of the Retirement Act to change "(h)" to "(g)" in two places in that section. A third correction is necessary in H.R. 6430 and H.R. 8335; the word "member" on page 1, line 6, should read "Member".

Effective the first day of the third month following enactment, any of these bills would provide new or revised spouses' survivor annuity protection in cases of (a) all retirees then on the roll and those who come on the roll in the future, (b) employees and Members of Congress thereafter dying in service, (c) former employees and Members of Congress separated at any time with deferred annuity title, and (d) all retirees who died at any time prior to the bill's approval date. Following is an analysis of the changes proposed for these groups.

CURRENT AND FUTURE RETIREES

Enactment of any of these bills would, from effective date, afford automatic survivor annuity protection, without reduction in retirement annuity, for widows and widowers of all retirees then on the annuity roll and all retirees added to the roll thereafter. Retirees already on the roll with reduced annuity elections in favor of spouse would have their full single life rates restored as of retirement dates, with intervening increases added thereto, and with resulting rates paid from and after the cited effective date.

Recomputations in these cases would involve restoration of annuity reductions sustained under each of five survivorship options described below.

Retired between	Reduction in retiree's annuity	Benefit to spouse named at retirement
Jan. 1, 1940 and Mar. 31, 1948....	Full actuarial.....	50 or 100 percent of retiree's reduced annuity.
Apr. 1, 1948 and Sept. 29, 1949....	10 percent, plus $\frac{3}{4}$ of 1 percent for any years spouse under age 60.	50 percent of retiree's unreduced annuity.
Sept. 30, 1949 and Sept. 30, 1956..	5 percent of 1st \$1,500 and 10 percent of remainder, plus $\frac{3}{4}$ of 1 percent for any years spouse under age 60.	Do.
Oct. 1, 1956 and Oct. 10, 1962....	$2\frac{1}{2}$ percent of 1st \$2,400 and 10 percent of any added amount used as base for survivor benefit.	50 percent of amount used as survivor base.
Oct. 11, 1962 and to date.....	$2\frac{1}{2}$ percent of 1st \$3,600 and 10 percent of any added amount used as base for survivor benefit.	55 percent of amount used as survivor base.

The proposed automatic widow's and widower's annuity in these cases and in all future retiree cases would be 55 percent of the annuity received by the retiree at the time of death. Also, eligibles for the proposed automatic survivor annuity would include not only widows and widowers who were married to employees at time of retirement, but also those married after retirement for at least 3 years preceding death.

One phase of this feature has not been thought through. Section 10(a) of the Retirement Act would be amended to require that a widow or widower be paid annuity equal to 55 percent of "the annuity received by such annuitant at the time of death." This requirement clashes with computation-of-annuity provisions in section 9 of the act. Subsections (a), (b), and (c) of this section each contain a provision prohibiting any added annuity afforded a retiree under the minimum disability formula from increasing the annuity of a survivor. The requirement is also at odds with section 12 of the act, which governs additional annuity purchasable by voluntary contributions. Such added annuity may be taken on a single life or survivorship annuity basis, the choice to be made at retirement. The "annuity received" by a retiree at date of death could be construed as including any added annuity purchased by voluntary contributions. This would result in such anomalies as (a) free automatic spouse's annuity based on voluntary contributions, and (b) double survivor benefits where additional annuity is taken under the survivorship plan and the retiree also leaves a spouse eligible for the proposed automatic benefits.

We do not know whether proponents of the bill consider the 55-percent-of-final-rate feature indispensable. We are thus unable to suggest technical revisions to eliminate these conflicts.

Active employees (including Members of Congress)

Present law affords automatic survivor annuity to an eligible widow or dependent widower of a covered employee dying after 5 or more years of civilian service. The survivor receives 55 percent of the annuity computed on the service and salary of the deceased, commencing the day after employee's death and continuing to the end of the month before the survivor's death or remarriage.

The bills would eliminate existing marriage-parentage and dependent-widower requirements and sharply expand the class of eligibles as follows:

<i>Present law</i>	<i>Proposal</i>
Widow: Surviving wife married to deceased at least 2 years immediately preceding his death or the mother of issue by their marriage.	Widow: Surviving wife.
Dependent widower: Surviving husband (a) married to deceased at least 2 years immediately preceding her death or the father of issue by their marriage, (b) incapable of self-support due to disability, and (c) dependent on the deceased for more than one-half his support.	Widower: Surviving husband.

SEPARATED EMPLOYEES (INCLUDING MEMBERS) WITH DEFERRED ANNUITY TITLE

Present law provides differing death benefits for separated employees and for former Members who die before establishing valid claim for deferred annuity. In separated employee cases, the only death benefit provided is a lump-sum payment of the employee's retirement contributions, with interest. In separated Member cases, however, survivor annuity may be payable to a qualified spouse. If the surviving wife or husband was married to the Member at date of separation affording deferred annuity title, such wife or husband is eligible for an annuity of 55 percent of the Member's deferred annuity, commencing on the day after the Member's death and continuing to the end of the month before the survivor's death or remarriage. If the wife or husband is the person who would be entitled to the lump-sum death benefit, he or she may elect to receive it instead of survivor annuity provided such election is made before survivor annuity is awarded.

Under the proposal, the death benefit provisions now applicable only to eligibles for deferred Member annuity would be extended to all former employees with deferred annuity title, separated in the past or future, who die (on or after the bill's effective date) before establishing a valid claim for deferred annuity.

The proposal would alter survivor rights in Member cases as well as employee situations; a spouse qualified for survivor annuity would include not only one married to the former employee or Member at date of separation from service, but also any wife or husband acquired after separation if the marriage existed for at least 3 years preceding death.

PREVIOUSLY DECEASED RETIREES

Section 3 of each bill retroactively grants new or increased survivor annuities to unremarried spouses of retirees who died prior to "approval" of the legislation. As worded, section 3 would omit cases of retirees dying in the period between approval date and effective date; to make this feature all inclusive, as seemingly intended, the words "effective date" should be substituted for the word "approval" in section 3.

The widow or widower of each such previously deceased retiree, if married to the deceased at date of retirement or for at least 3 years before death and still unremarried, would be accorded title to an annuity of 55 percent of the retiree's final rate as of the day following date of the retiree's death. Depending on when retirement and death occurred, the 55-percent benefits would be increased under the terms of the annuity increase acts of July 16, 1952, August 11, 1955, June 25, 1958, and October 11, 1962, with the resulting rates payable from the effective date of the legislation. Remarriage or death of the widow or widower would terminate the benefit.

A majority of eligibles under this feature would be widows and widowers who are already entitled to survivor benefits from the retirement fund. Some have benefits through survivor elections of retirees, while others are entitled under the several enactments (acts of Feb. 28, 1948, June 25, 1948, July 21, 1949, July 6, 1950, June 25, 1958, and July 7, 1960) which afforded gifts of annuity, under varying conditions, to widows and widowers of retirees. In each of these cases, the proposed new annuity would be substituted for the old, unless the latter benefit were greater.

The balance of eligibles under this feature would generally be widows and widowers who, for various reasons, did not qualify for benefits under prior laws. Some would be spouses of retirees who could have but did not name them for survivor annuities. Others would be spouses of deferred retirees separated before October 1, 1956, with no right to elect survivor annuity. Still others would be widows and widowers who were married to the retirees after retirement.

Although we have suggested some technical amendments to the bills, we do not regard any of them as being in ideal form. If legislation of this nature is to be seriously considered, we would recommend that it be redrafted in its entirety to clearly specify all intended results.

The Commission believes that any of these bills would make undesirable retirement legislation. We view each of their salient features, discussed below, as objectionable in principle:

1. *Free spouse's survivor annuity protection after retirement.*—We do not agree with the philosophy behind this idea. In our view, a married person upon retiring is not relieved of all obligations to provide for his or her spouse's future. The individual should bear, through reduced annuity, at least part of the cost of providing survivorship protection. The annuity reduction now applied on this account is so favorable to the retiring individual that we question whether it constitutes a problem in affected cases. Conversely, the reduction made does not nearly pay the cost of the survivor annuity protection provided in return. The major cost of the protection is borne by the Government. We do not believe that justification exists for Government assumption of any added obligation in this area.

2. *Automatic survivor annuity for spouse acquired after retirement.*—The Government now assumes an obligation toward the spouse who assists the employee during all or a part of his Federal career and for whom the employee had a natural concern during his service. We do not see how going beyond these bounds in providing spouse's annuity protection could improve efficiency in the service. We cannot find any real or apparent obligation by the Government as an employer to adopt a policy of providing costly survivor benefits to a spouse acquired after termination of the employer-employee relationship. Also instances of double survivor annuity entitlement could result; for example, where

a single employee names an insurable-interest survivor at retirement, later marries, and at death leaves both the named survivor and a spouse eligible for the automatic benefit.

3. *Automatic survivor annuity to able-bodied widower.*—This idea is unrealistic and goes beyond the retirement system's objective in providing automatic survivor annuity protection. The objective, broadly speaking, is to afford the protection where death means loss of the family's main support. In our society the husband is the provider, even where the wife is gainfully employed. This concept is more than a usage; our laws in the field of persons and domestic relations are founded upon it. We believe that survivor annuities for widowers should be kept strictly within the scope of this concept and should be payable only (a) under the terms of a reduced annuity election in retirement cases, and (b) automatically to those meeting the present requirements in death-in-service cases; i.e., widowers incapable of self-support due to disability and who were dependent on their working wives for more than one-half support.

4. *Elimination of marriage or parentage prerequisites for automatic spouse's annuity.*—These prerequisites are a safeguard against acquisition of valuable survivor annuity rights through "deathbed" marriages and the like. We see no justification for their removal. They were regarded as necessary when automatic survivor annuities were first incorporated in the system. They are no less necessary now.

5. *Automatic survivor annuity protection for spouses of separated employees with deferred annuity title.*—Due to their uncertain tenure, former Members of Congress have this special type of protection in case of death before deferred annuity can be claimed. This is a rationale not applicable to employees generally.

The Government maintains the retirement system as a means to promote full Federal careers. To this end, automatic spouse's annuity is provided only in cases of death in service. Availability of this protection tends to hold individuals in the Federal service. This desirable effect would largely be vitiated if, as these bills propose, the same or similar automatic survivor annuity protection were to be provided for spouses of separated employees with title to deferred annuity.

Deferred annuity is a separation benefit for persons who, in most cases, choose not to make a career of the Federal service. Under the retirement system for career employees, benefits for noncareer persons are and must be limited. Otherwise, there would be no benefit advantage to encourage the completion of a full Federal career.

We consider the present deferred-benefit provisions to be adequate, even liberal. Deferred annuity eligibles separated on or after October 1, 1956, who are married persons may, with a small annuity reduction, elect survivor annuities for their spouses when they retire on their deferred annuities. Usually during the years after leaving Federal employment and before deferred annuity begins, these persons engage in other employment during which they establish survivor benefits for their spouses under social security or under employer plans.

The addition of a gift of survivor protection from the Government while out of the Federal service awaiting attainment of deferred retirement age is unwarranted. Such provision for this class would devalue the spouse's survivor protection available during active Federal service and decrease the effectiveness of the retirement system as an instrument of Federal personnel management.

6. *Retroactivity of benefits.*—We are unable to visualize justification for the costly gifts of new or increased survivor annuities proposed for spouses of previously deceased retirees and of retirees currently on the annuity roll.

Liberalizing retirement or survivor benefits under the retirement system for the future is justifiable and desirable from time to time to aid the system in accomplishing one of its major functions: helping to attract and retain competent Government personnel. The same reason does not exist for retroactive application of liberalizations. The Government—that is, the taxpayers—would be called upon to bear the entire cost of new or increased annuities to spouses of retirees whose service was performed during periods when retirement contributions were low and not intended to afford survivor protection. In many instances the proposed new benefits would apply in cases of retirees who could have but (often deliberately) did not elect survivor benefits for their spouses. In other cases, benefits have already been provided for the spouses either by elections under prior provisions of law or under adjustment enactments affording gift

annuities to widows and widowers; in these instances the carefully designed prior provisions of law would be set aside and the proposed new increased benefits substituted.

The total effect of the retroactive features of these bills would be complete abandonment of annuity system principles applied in the past and conversion to a welfare system approach with respect to spouse's survivor protection upon death after retirement. Should this be done, extension of the welfare plan concept to all types of benefits under the retirement system would be inevitable.

Liberalizations proposed by the bills for employees already separated and for their survivors would, if enacted, increase the unfunded liability of the civil service retirement system by an estimated \$1,184 million. The increases in respect to present active employees is estimated at \$1,667 million. Interest at 3½ percent on this total unfunded liability increase of \$2,851 million would amount to \$100 million annually, or 0.70 percent of payroll. The normal cost of the system would be increased by 0.33 percent of payroll, or \$47 million per year. Thus the total annual cost of the legislation, on the normal cost-plus-interest basis, would be 1.03 percent of payroll, or \$147 million.

We also have your request of April 4, 1963, for report on H.R. 5180. This bill contains all the features (and technical defects) of the five identical bills except that it would confine survivor annuities to spouses married to the retirees at time of retirement. In other words, H.R. 5180 would not afford benefits to the limited number of spouses acquired after retirement. This would reduce the number of eligibles by a small percentage and result in a slightly lower cost than that estimated for the other five bills.

Since Government assumption of the added costs involved in these bills would not be justified on any ground of good personnel management or retirement policy, the Commission strongly recommends that adverse action be taken on H.R. 2155, H.R. 3296, H.R. 5180, H.R. 6395, H.R. 6430, and H.R. 8335.

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.

Sincerely yours,

JOHN W. MACY, JR., *Chairman.*
(By direction of the Commission).

Mr. MACY. The principal purpose of this legislation is to eliminate the reduced annuity election which has always been necessary under the retirement law to support the survivor annuity to widow or widower upon death after retirement. The joint and survivorship option was first inserted in the retirement law January 1, 1940, and originally required a full actuarial reduction in the retirement annuity to provide survivor annuity entitlement. The option has been amended four times since that date to progressively decrease the annuity reduction cost to the retiree. The liberalized option now in effect requires only a token reduction and provides the named spouse with a survivor annuity of 55 percent of the base amount chosen by the retiree.

Enactment of any of the bills under consideration today would, from effective date, provide automatic survivor annuity protection, without reduction in retirement annuity, for widows and widowers of all retirees then on the roll and all who retire in the future. Retirees already on the roll with reduced annuity elections in favor of wife or husband would have their single life rates restored as of retirement dates, with past annuity increases superimposed, and the recomputed rates would be payable from the effective date.

The legislation also proposed retroactive grants of survivor annuity to unremarried widows and widowers of all retirees who died at any time prior to its enactment. It would newly establish free automatic spouse's annuity protection in cases of all former employees separated in the past or future with title to deferred annuity, where death occurs before deferred annuity is claimed.

Eligibles for survivor annuity in retiree and deferred annuity eligible cases would include not only a spouse married to the former employee at time of retirement or separation but also any after-acquired spouse if married to the individual for at least 3 years before death. Survivor annuity in all these cases would be raised to 55 percent of the annuity payable to the former employee.

Present law affords automatic survivor annuity to the qualified widow or the disabled, dependent widower of a covered employee who dies after 5 or more years of civilian service. To qualify, a widow must have been married to the employee for at least 2 years before death or be the mother of a child by their marriage. A widower qualifies only if he meets these same requirements and, in addition, is incapable of self-support due to disability and was dependent on his wife for more than one-half of his support.

The legislation would repeal these requirements, designed to prevent annuities to spouses of "death bed" marriages or to able-bodied widowers, and extend automatic survivor annuity in future deceased employee cases to surviving wives and husbands generally.

The Commission does not believe that legislation of this nature is desirable or warranted. For reasons which are detailed in my letter of October 17, 1963, we view each of the salient features of these bills as objectionable in principle. We do not consider that Government assumption of the added costs involved can be justified on grounds of good personnel management or sound retirement policy.

We are particularly unable to find justification for the costly gifts of new or increased survivor annuity benefits or protection proposed for spouses of previously deceased retirees and of retirees currently on the annuity roll.

Liberalization of retirement or survivor benefits under the retirement system for the future may be justified from time to time to aid the system in accomplishing one of its major functions—helping to attract and retain competent Government personnel. The same reason does not exist for retroactive application of liberalizations. The Government, that is, the taxpayers, would be required to bear the entire cost of the proposed new or increased annuities to widows and widowers of retired employees whose service was performed at a time when retirement contributions were low and not intended to afford survivor protection. In many instances, survivor benefits have already been provided for these spouses either by elections of retirees or under various adjustment enactments granting gift annuities to widows and widowers; in these cases the provisions of law designed by previous Congresses would be set aside.

The total effect of the retroactive features of this legislation would be a complete abandonment of annuity system principles and conversion to a welfare system approach in respect to spouses' survivor protection upon death after retirement. Adoption of a welfare plan approach for one type of benefit could ultimately lead to its extension to all types of benefits under the retirement system.

The added benefits proposed by the bills for employees already separated and for their survivors would increase the retirement system's unfunded liability by an estimated \$1,184 million. The benefit additions for present active employees would increase it further by an

estimated \$1,667 million, making a total increase of \$2,851 million in the unfunded liability which now stands at about \$35 billion. Interest on the unfunded liability increase would amount to \$100 million annually, and the normal cost of the system would be increased by 0.33 percent of payroll or \$47 million a year. On the normal cost-plus-interest basis, the total annual cost of this legislation would thus be \$147 million.

This reference to cost brings to mind the ever-present need to improve the financing of the civil service retirement system. In submitting the administration's financing proposal, my letter of May 9, 1963, to Hon. John W. McCormack, Speaker of the House of Representatives, pointed out that unless remedial action is taken, we estimate that without any liberalization whatever disbursement will exceed income by 1972, and the retirement fund will be down to zero by 1990. After that, direct appropriations of \$2 to \$3 billion will be required each year in order to continue benefit payments at their present level.

In summary, I strongly recommend against favorable action on the bills before the subcommittee this morning, but do urge early consideration of H.R. 6412 and H.R. 6366 which are the administration's proposal for improving the financing of the civil service retirement system.

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

Mr. MORRISON. We certainly appreciate your testimony, Mr. Chairman. You have testified competently on many other occasions before our committee.

Mr. JOHNSON of Pennsylvania. Mr. Chairman, I note what you have said about the retirement fund being down to zero by 1990. Is it correct that we have a retirement fund as such in the Federal system, or do you just have a liability every year and we appropriate from the taxpayers' funds the money through the budget to cover the Government's share?

Mr. MACY. Mr. Johnson, we do have a retirement fund. At the present time it has a corpus of approximately \$13 billion. Annually, funds are contributed to that fund—6½ percent of the payroll contributed by employees, and 6½ percent contributed from appropriations on the part of the departments. A contribution of 13 percent of payroll is put into that fund each year.

From that fund, disbursements are made to annuitants and survivors in accordance with the existing provisions of the Civil Service Retirement Act.

The unfunded liability to which I referred is due partly to the fact that for an extended period of time during the 44-year life of the retirement system there were no contributions made by the Federal Government. This amount has been increased because of liberalizations in the benefits under the plan and because of increases in compensation for active employees, which in turn increase the potential liability of the fund.

My reference to 1990 is that if there is not some change in the financing, this fund of \$13 billion will be exhausted at that time because, starting in 1972, the outflow from the fund will exceed the input by the method that I referred to, and the fund will rapidly

decrease to zero. At that point it will be necessary for the Congress annually to appropriate a sufficient amount to cover the commitment to employees under the retirement plan. The administration proposal which I referred to is a plan whereby there would be a gradual increase in the Government's contribution to the fund so the fund will not increase at a rapid rate but at a gradual rate to meet the needs reflected in the obligations to retired employees.

It is our view that it is extremely important that this financing be considered as early as possible and that this has a higher priority than any further liberalization of benefits under the retirement system.

Mr. JOHNSON of Pennsylvania. Then what you are saying is that the fund, at the present time, is actuarially unsound.

Mr. MACY. That is right.

Mr. JOHNSON of Pennsylvania. That is all. Thank you.

Mr. MORRISON. If there are no further questions, thank you very kindly, Mr. Chairman and Mr. Ruddock.

Our distinguished colleague, Congressman Pepper, has another very important meeting and, at this time, he would like to make a statement for the record.

STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. PEPPER. Thank you, Mr. Chairman. I had to leave another committee to come here this morning. I thank the chairman and the members very much for your kindness.

My interest concerns the 650,000 Federal retirees and survivors.

The great enemy of the Federal retiree through the years has been inflation with rapidly rising costs for all items required in everyday life by our retirees.

I am particularly interested in securing an annuity increase for these folks who carried the major load of our Government for so many years.

I have introduced H.R. 10655 for this purpose. Many companion bills have also been introduced here in the House. Senator Maurine Neuberger has introduced companion legislation in the Senate.

I have just told you inflation is the greatest enemy of the retired employees of the Federal Government and their dependents and survivors who are trying to live on meager retirement annuities. Congress made an effort 2 years ago to bridge part of the gap between annuity dollars and the cost of living but the 5-percent adjustment effective as of January 1, 1963, was only about half enough to make ends meet.

The bad state or condition of retired Federal employees who devoted a lifetime to Government service is a serious one and we should do our best to give encouragement to these folks.

Frankly, I cannot see how we can raise our own salaries, our present Federal workers, our military, and pass up these people who, through no fault of their own, find themselves doomed by inflation.

There are thousands who get only meager annuities because, when they retired, the salaries and benefits of retirement laws were then low. Many of the retiree-survivors fare even worse. Letters bring

us data on these folks receiving amounts as low as \$40 per month, \$50 per month and, until recent years, very, very few received over \$200 a month after a lifetime of work.

Let me read extracts from a letter of one of the more fortunate ones. Surely you will agree his lot is a rough one. We, none of us, would like to be in this predicament.

It is with deep regret I have to write you regarding us low-pensioned retiree employees. We need more money and we need it badly now. Life is short—we don't need it after we're dead.

I get a check for \$185 out of which I have to pay \$101 for rent and electricity. I cannot live on \$85 a month in this age of high cost of living. I have to buy second-hand clothes and my hospital policy I gave up. We need that increase now. Time is short—so is life.

We have money to throw all around the world by the millions to nations we can't depend on in times of war. Yet there is nothing to give but a few crumbs to our faithful servants who gave the best years of their life serving their country and are old men—some sick and can't get a living pension to enjoy those few years to live.

It's time we got action now for more money; next year may be too late.

I know you're doing your best for us retired men. I would appreciate it if you would show some of the Congressmen and Senators this letter.

Yes, we have hundreds upon hundreds of similar letters, and some are really pitiful.

May I conclude with an urgent request that we do something now for these former servants of our Government.

Mr. Chairman, my office has informed me that Senator Neuberger wishes to concur in the statement which I have made here and offer a statement herself. I would like to present it for the record at this time on behalf of Senator Neuberger.

Mr. MORRISON. Without objection, let it be entered into the record.

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

(Senator Neuberger's statement follows:)

STATEMENT OF SENATOR MAURINE NEUBERGER, OF OREGON

Mr. Chairman, my name is Senator Maurine Neuberger, of Oregon. My interest concerns the 650,000 Federal retirees.

In the Senate, I have introduced a companion bill to Congressman Claude Pepper's H.R. 10655 and also a companion bill to Congressman Arnold Olsen's H.R. 4462. The first bill provides for a much-needed annuity increase and the second bill provides for a recomputation of annuities to bring past retirees to even keel with present retirees on the amount of deduction they must take to protect their spouses.

The plight of retired Federal employees who devoted a lifetime to Government service is a difficult one. Inflation is their great enemy, and the 5-percent annuity increase voted in 1962 by Congress was all too small.

Legislation has been passed for pay increases. Social security is being raised. It seems only fair that some increase be provided in annuity benefits for those Federal employees who have retired.

Mr. Chairman, it is a pleasure for me to support all proposed legislation requested by the National Association of Retired Civil Employees, which actively and ably represents the needs and welfare of all retired Federal employees.

I want you to know that inflation is the greatest enemy of the retired employees of the Federal Government and their dependents and survivors who are trying to live on meager retirement annuities. Congress made an effort 2 years ago to bridge part of the gap between annuity dollars and the cost of living but the 5-percent adjustment effective January 1, 1963, was only about half enough to make ends meet.

The two outstanding changes in the Civil Service Retirement Act were made in 1948 and in 1956. The revisions in 1948 increased the annuity formula for persons who would retire in the future and also at the same time granted 25-percent

increases in the annuities of most of those previously retired. On the other hand, the further revisions in the formula approved in 1956 for those who would retire in the future made no provision whatsoever for persons previously retired. It was not until 2 years later, in 1958, that a 10-percent increase was approved for persons retired before the effective date of the 1956 revisions.

In the meantime, salaries were rapidly climbing in both Government and private industry, and inflation was squeezing the purchasing power of annuity dollars. In 1962, when the Congress took up the bill to increase annuities, it adopted the base year of 1958, in determining that cost of living had then risen at least 5 percent, which overlooked a number of essential facts. The increase in 1958 was not a general adjustment of annuities, but only a belated correction of an adjustment neglected for 2 years. The real gap in cost-of-living deficiency started in 1956 and not in 1958.

I believe that an analysis of cost-of-living figures from July 1956 through December 1962 will disclose that there was an increase during that period of approximately 10 percent. One-half of this gap was covered by the increase which became effective in 1963. I hope you will help us get a further adjustment to cover the rest of the gap.

From information I have received it is estimated that more than 3,000 retirees die each month. The time is late and inflation has wiped out a big chunk of every retiree's annuity. Thousands upon thousands are on very meager annuities. So let's do something now to help correct this bad situation. Remember these former Federal workers gave their all for these great United States. Thank you.

Mr. MORRISON. I would like to call next on a distinguished member of our full committee and the chairman of one of our subcommittees, our colleague from New York, Mr. Dulski.

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

Mr. DULSKI. Thank you, Mr. Chairman.

First I wish to commend you and the committee for calling the subcommittee to consider the bills which many of our colleagues on the committee have introduced. I have a statement for the record. I wholeheartedly support legislation which will help some of the "orphans" of the National Association of Retired Civil Employees.

I want the record to show that I was rather disappointed when I read in today's paper that our distinguished Chairman of the Civil Service Commission says that this legislation will cost \$147 million annually. How many years have the judges been on the gravy train, receiving good pensions, not having contributed \$1? Here are the civil servants who make Government what it is today. We introduced legislation for increases for our Federal employees, which I wholeheartedly supported. Then we increased the salaries of the executives and, of course, the legislative and the Congress.

We are working with a very small figure, Mr. Chairman; \$147 million. In our foreign aid bill we pay much more, not in pensions but in wages.

These taxpayers—for some of them are taxpayers—are contributing so much to the soundness of our Government so we can contribute to other parts of the world.

Mr. MORRISON. You speak from experience, because prior to your becoming a Member of Congress you were a Federal employee; were you not?

Mr. DULSKI. That is right.

Mr. MORRISON. So, you can speak both as a Member of Congress and as a former employee.

Mr. DULSKI. Sympathetically.

Again I say I favor this legislation, and any action your committee takes will have my wholehearted support.

With your permission, I have a prepared statement for the record.

Mr. MORRISON. Without objection, let the statement be filed for the record.

(Mr. Dulski's prepared statement follows:)

PREPARED STATEMENT OF REPRESENTATIVE THADDEUS J. DULSKI, OF NEW YORK

Mr. Chairman, my interest concerns the 650,000 Federal retirees.

There are many sad disparities in our retirement laws. Since 1920, when the retirement system of our Federal Government was initiated, we have put through some 200 amendments or improved conditions for our retirees.

The promise of retirement benefits enables the Government to attract and retain the best qualified persons for its varied activities. Providing the necessities of life to previous employees and their dependents permits savings in welfare services and expenditures at Federal, State, and local government levels. Extensions and liberalizations in the retirement system in the past have made it even more responsive to the needs of the people as well as to the needs of the beneficiaries. Yet, each time improvements were made they seldom made the new benefits available to previous retirees. Yes, I know we have, as well, improved conditions for those previously retired but we have not quite kept pace with the ever increasing inroads of inflation.

Some of the inequities existing could easily be corrected if the Congress would pass bills that have been introduced for the National Association of Retired Civil Employees. They are truly the champions of the Federal retirees. They are a watchdog, too. They prevent retired folks from asking for unfair legislation.

We have in this Congress helped ourselves, the presently employed Federal worker, and the military. Social security looks good for a 5-percent increase. My question is, Why should we overlook those former career people who carried the major load of the Government for many years? Let's correct some of these disparities and give them some help on their inadequate annuities. They are entitled to this help.

I appreciate this opportunity to testify for these fine folks and aid their cause.

Mr. MORRISON. Our colleague, Mr. Daniels, a highly esteemed member of this committee, has a statement to make at this time.

**STATEMENT OF HON. DOMINICK V. DANIELS, A REPRESENTATIVE
FROM NEW JERSEY**

Mr. DANIELS. Mr. Chairman, I appreciate the opportunity of presenting this statement and urge the subcommittee to take favorable action on one of these proposals to provide needed adjustments in survivor annuities under the civil service retirement system.

Of the 11 bills before your subcommittee, 5 are sponsored by the members of the House Post Office and Civil Service Committee and 1 by a former member. My bill, H.R. 5180, differs from the other bills only in the respect that it would confine survivor annuities to spouses married to the retiree at the time of retirement. The other bills would include spouses married after retirement for at least 3 years prior to death. Enactment of this legislation would afford automatic survivor annuity protection without reduction in retirement annuity for widows and widowers of all retirees then on the annuity roll and all retirees added to the roll thereafter. Retirees already on the roll with reduced annuity elections in favor of spouses would have their full single life rates restored as of retirement dates, with intervening increases added

thereto, and with resulting rates paid from and after the effective date of the new legislation.

It is my purpose in sponsoring this legislation to relieve serious and immediate hardship faced by many thousands of survivors of Federal employees. This hardship arises either because in some cases the pressures of inflation have cut sharply into the meager annuity provided, or because in other cases the present law provides no survivor annuity at all.

Active workers have shared liberally in the benefits and emoluments flowing from our expanding economy but unfortunately there is an offsetting and very harsh impact upon their former fellow workers who have retired and accepted reduced annuities to provide a survivor annuity and upon the survivors of former workers who are now receiving a survivor annuity.

I believe the improvement in survivorship rights provided by this legislation is in accordance with the equitable policy which the Congress historically has followed in granting survivors fair treatment in relation to active and retired employees.

Mr. Chairman, this legislation is urgently needed and I strongly urge that the subcommittee favorably approve my bill, H.R. 5180, or any one of the similar bills pending before the subcommittee.

Mr. MORRISON. Thank you, Mr. Daniels.

The next witness is Hon. Frank E. Moss, of Utah.

**STATEMENT OF HON. FRANK E. MOSS, A SENATOR IN CONGRESS
FROM THE STATE OF UTAH**

Mr. Moss. Mr. Chairman, my name is Frank E. Moss, Senator from Utah. My interest concerns Federal retirees and all their survivors. My particular interest in them came about several years ago through contacts with Mr. Nichols, vice president of NARCE and his wonderful organization—the National Association of Retired Civil Employees. They work in many facets as a nonprofit service organization to serve all Federal retirees and their survivors. Presently the organization has more than 114,000 members and is the working voice of more than 600,000 former Government career workers.

I appear in the interest of legislation which will give them an annuity increase, one that will protect all the good they now have in retirement legislation. I earnestly believe we should do something now to help. There are those in the Congress who would put off doing justice to these folks, but why delay? We have helped ourselves, the present Federal worker, and the military.

The retirees did not receive all they were entitled to in the 87th Congress. They asked for a 10-percent increase to bring them to par, but we, the Congress, gave them only 5 percent. Had we given them 10 percent then we would only have approached what inflation had done to them.

Now, all of your committee considering this much-needed legislation know that there are many retirees of recent years who have fared pretty well under our more recent retirement laws. But you know, too, that thousands of our retirees retired years ago when salaries were much lower and under a less liberal retirement formula.

Other people appearing today in behalf of our Federal retirees are giving you facts and figures. One thing I would like to make clear— inflation has hurt fixed incomes and fixed annuities. The depreciated dollar continually buys less services and material things. The 1963 Civil Service Report indicates 187,982 persons on the rolls June 30, 1963, who retired prior to 1956, when the Retirement Act was liberalized. These folks receive smaller annuities by far than those retiring under the present law. Yet, may I remind you, those retiring since October 1, 1956, have received only one 5-percent increase. Since October 1956 the cost of living is up 15 percent.

Anything you do here today should not, in any way, interfere with the 3-percent cost-of-living-increase plan approved in Public Law 87-793, which went into operation January 1, 1963. This we must keep for future correction of inflation inroads.

Let's correct, too, for earlier retirees and their survivors many of the existing disparities. Why should a former retiree be required to take from 5 to 25 percent deduction to protect the spouse when present retiring Government workers need take only 2½ percent. Let's treat these former workers and present retirees alike.

Thank you, Mr. Chairman, for this opportunity to appear. I am greatly interested in the welfare of all our former career Federal workers.

Mr. MORRISON. Thank you, Mr. Moss.

The next witness is Hon. Robert E. Jones, of Alabama.

STATEMENT OF HON. ROBERT E. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. JONES. Mr. Chairman, my name is Robert E. Jones, Representative from Alabama. My interest concerns the 650,000 Federal retirees and survivors.

Certainly all recognize the toll of inflation on fixed incomes. Government retirees generally are forgotten people. Sure, through the years our Congress has improved the retirement system. Sure, too, they have improved the lot of the retired. But they have always been two or three steps behind the wrath of inflation. Yes, we do have an escalator clause in our present amended retirement laws but this will not pick up what retirees were behind when it became effective.

It is my understanding that the last 5-percent increase met only half of the needs. Now I would like to quote extracts from the prominent newswriter, Sylvia Porter, about what others outside Government are doing for their "forgotten employees."

In 1963, General Electric granted a 15-percent across-the-board pay increase to a group of men and women to whom it legally owed nothing. They were 25,000 ex-employees of G.E. who had retired under pension contracts geared to the formulas and salaries of past years.

Since 1960, G.E.'s "raises" have amounted to 45 percent for all workers who retired on or before September 1, 1946—at a cost to G.E. of about \$20 million during this period alone. In addition, medical and hospitalization insurance coverage was more than doubled last year for retired employees with 10 or more years of service. This coverage is now \$6,000, up from \$500 in 1948, and a retired employee can get another \$3,000 in medical and hospitalization insurance for 75 cents a month or \$1.50 for himself and his wife.

In increasing numbers, private industry is remembering its "forgotten employees" who retired a decade or more ago, when salary and cost-of-living levels were far below today's averages.

G.E. IS ILLUSTRATION

What G.E. is doing is a dramatic illustration of this practice, but it is only one illustration. Other leaders in efforts to revise formulas of retired workers to meet current conditions include American Telephone, United States Steel, Bankers Trust, RCA, Detroit Edison, Columbia Gas.

May I ask fair, impartial consideration for our former Government workers.

Thank you, Mr. Chairman, for allowing me to present these thoughts to your committee.

Mr. MORRISON. Thank you, Mr. Jones.

The next witness is Hon. William L. St. Onge, of Connecticut.

**STATEMENT OF HON. WILLIAM L. ST. ONGE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CONNECTICUT**

Mr. ST. ONGE. Mr. Chairman and members of the subcommittee, I am grateful for the opportunity to testify on behalf of my bill, H.R. 8335.

An essential component of all contemporary policies of employment is a system of retirement benefits. My bill is designed to strengthen the current retirement provisions of the U.S. Government by insuring that no Federal employee need accept a reduction in retirement benefits upon designating his spouse as beneficiary.

As Federal retirement policies now stand, married employees of the U.S. Government are confronted by an intolerable dilemma: they must choose either to designate their next of kind as recipients of their annuities upon their death or to receive the full value of their annuities upon their own retirement. The price of their own security is the insecurity of their husbands or wives; for any married person, this is questionable security at best.

I therefore urge the adoption of my bill. It would abolish an injustice in the conditions of service in the U.S. Government. By so doing, the bill would strengthen the civil service as it is today while removing a potential limitation upon the future recruitment of high-quality personnel. The alteration I propose is humane and just.

Equally as important, the enactment of this proposal is necessary if the Government is to continue to attract civil service employees of the quality we both need and desire. Thank you.

Mr. MORRISON. Thank you, Mr. St. Onge.

The next witness is Hon. Joseph M. Montoya, of New Mexico.

**STATEMENT OF HON. JOSEPH M. MONTOYA, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW MEXICO**

Mr. MONTOYA. Mr. Chairman, I appear before you today in the interest of the over 650,000 Federal retirees and their dependents.

An increase in their annuities is long overdue. The rising cost of living has made it practically impossible for these annuitants to live within their income. It is unfortunate that after spending a lifetime in the service of their Government, we have not provided sufficient cost-of-living increases to enable them to secure the necessities of life.

Thousands of Federal employees retired prior to 1948 and, although their annuities have been increased since that date by 75 to 95 percent,

they are still receiving considerably less than the annuities received by persons who retire today from the same positions.

A 5-percent increase was granted by the 87th Congress, but even had we approved the 10-percent increase requested, we would not have begun to offset what inflation has done to them. Recent retirement laws have provided greater annuities to those who retire today, but we must not neglect the many thousands who retired at a time when incomes were low.

I would like to bring to the attention of the committee that since October 1956, the cost of living has increased 15 percent, yet Federal retirees have received only one 5-percent increase since that date. This does not seem reasonable to me. Congress has provided increases for Federal employees and the military and it is imperative that we not let those who preceded us in Federal service become the forgotten people. We can and must provide an increase in their annuities.

Legislation which you are considering today, H.R. 11921 and other bills introduced by my colleagues, would bring about these desired results, and I urge you to favorably report this legislation.

Also under consideration is H.R. 10229 and companion bills. This legislation is of equal importance. Why should a former retiree whose annuity is less be required to take a 5- to 25-percent deduction to protect his spouse when present retiring Federal workers, whose annuity is more in line with today's living costs, need take only a 2½-percent deduction.

This is an inequity that should and must be corrected and I urge this committee to take remedial action today.

I am greatly interested in retaining career Federal employees of high caliber. An equitable and adequate guarantee that retirement benefits will keep pace with increasing living costs would go far to encourage them to remain in the service of their country. It is in your hands whether or not we remain the beneficiaries of their dedicated service. Thank you.

Mr. MORRISON. Thank you, Mr. Montoya.

The next witness is Hon. Laurence J. Burton, of Utah.

STATEMENT OF HON. LAURENCE J. BURTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. BURTON. Mr. Chairman, my name is Laurence J. Burton, Representative from Utah. My interest concerns the 650,000 Federal retirees and particularly the work of the National Association of Retired Civil Employees in championing the cause of these former Federal career workers.

First, I wish you to know I believe in them and I know their plight.

The civil service retirement system was designed and instituted for the benefit of the people of the United States. By making it possible for employees past the prime of life to withdraw from active service, the retirement system permits more frequent injection of new blood into important Government agencies.

The promise of retirement benefits enables the Government to attract and retain the best qualified persons for its varied activities. Providing the necessities of life to previous employees and their de-

pendents permits savings in welfare services and expenditures at Federal, State, and local government levels. Extensions and liberalizations in the retirement system in the past have made it even more responsive to the needs of the people as well as to the needs of the beneficiaries.

I believe the Congress of the United States should be dedicated to constant betterment or improvements in its retirement system. We all know the inroads of inflation have cut down the values of fixed incomes. We all know our Federal Government has not kept up in awarding benefits to these needy and worthy folks.

There are literally thousands of Government retirees and their survivors barely existing. Even those retired under the more recent improvements of the retirement system, particularly the law effective October 1, 1956, have had but one 5-percent increase. Inflation has moved up since 1956 close to 10 percent. Remember, too, this is on hundreds of items. The items most required by retirees, such as rent or housing, taxes, food, medical care have upped more than average.

I believe these bills being considered today offer numerous ways in which additional improvements can be made in the retirement system. I hope for and ask favorable consideration.

Thank you for allowing me the opportunity to appear in behalf of these most needed retiree bills.

Mr. MORRISON. Thank you, Mr. Burton.

The next witness is Hon. Kenneth A. Roberts of Alabama.

STATEMENT OF HON. KENNETH A. ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. ROBERTS. Mr. Chairman, my name is Kenneth A. Roberts, Representative from Alabama. My interest concerns the 650,000 Federal retirees and survivors.

Inflation has hurt our Federal retirees with fixed incomes. Thousands of our Government retirees have very low annuities. This is due to two causes, the first being inflation and the other being low salaries at the time of retirement.

The National Association of Retired Civil Employees are the champions of these former Federal workers. They have asked us through the years to introduce bills in their behalf. They are just as much interested in being fair to the Federal Government as they are to the Federal retiree.

We are presently considering several bills to aid the Federal retiree who presently finds himself in a very difficult situation because of inflation.

The two outstanding changes in the Civil Service Retirement Act were made in 1948 and in 1956. The revisions in 1948 increased the annuity formula for persons who would retire in the future and also at the same time granted 25-percent increases in the annuities of most of most of those previously retired. Further revisions in the formula approved in 1956 for those who would retire in the future made no provision whatsoever for persons previously retired. It was not until 2 years later, in 1958, that a 10-percent increase was approved for persons retired before the effective date of the 1956 revisions.

In the meantime, salaries were rapidly climbing in both Government and private industry, and inflation was squeezing the purchasing power of annuity dollars.

In 1962, when the Congress took up the bill to increase annuities, it adopted the base year of 1958, in determining that cost of living had then risen at least 5 percent, which overlooked a number of essential facts. The increase in 1958 was only a belated correction of an adjustment neglected for 2 years. The real gap in cost-of-living deficiency started in 1956 and not in 1958.

An analysis of cost-of-living figures from July 1956 through December 1962 will disclose that there was an increase of approximately 10 percent. Only one-half of this gap was covered by the increase of 1962 which became effective January 1, 1963.

I urge that we correct this deficiency and that we also approve re-computation based on H.R. 4462.

Thank you, Mr. Chairman, for allowing me to testify in behalf of this much needed legislation.

Mr. MORRISON. Thank you, Mr. Roberts.

The next witness is Hon. Joel T. Broyhill, of Virginia.

STATEMENT OF HON. JOEL T. BROYHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BROYHILL. Mr. Chairman and members of the subcommittee, I strongly support the principles embodied in H.R. 2155 and H.R. 6395, which I introduced as a companion measure in this regard. These bills would amend the Civil Service Retirement Act to provide annuities for surviving spouses without deduction from original annuities. I particularly wish to call the subcommittee's attention to section 3 of this bill which would provide retroactive annuities to unremarried spouses of all retired employees or members who died prior to its approval. I strongly urge that this provision be enacted. I know of many tragic cases of surviving spouses of retirees who have been left destitute by an untimely death. Many of these deserving survivors are in dire circumstances and this provision would be for them a godsend.

I would further urge that this subcommittee also consider favorably legislation that would increase annuities of our Federal retirees, provisions of present law notwithstanding. I joined a number of my distinguished colleagues in the offering of such a proposal by introducing H.R. 12258, which is identical to a number of bills presently pending before this subcommittee. I respectfully request their consideration.

Mr. MORRISON. Thank you, Mr. Broyhill.

The next witness is Hon. James C. Cleveland, of New Hampshire.

STATEMENT OF HON. JAMES C. CLEVELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. CLEVELAND. Mr. Chairman, one of the most significant social phenomena in the United States today is the large number of persons in our older population. There are more people in their sixties and older than ever before. They constitute a greater percentage of our

total population than ever before. Because people are living longer, there is every expectation that the size of this age group, both in absolute numbers and in proportion to the population as a whole, will continue to grow in the coming years.

For one particular segment of this older population Congress has a particular responsibility. I am referring to retired Federal employees, their dependents, and their survivors.

This responsibility is expressed in the Civil Service Retirement Act of 1920, a law that through the years has been amended and supplemented on many occasions to conform to changing social conditions.

It is now in need of amendment again, and for this reason I am happy to support H.R. 2155.

I do not contend that either the enactment or the rejection of this bill will have world-shaking consequences. The injustice it seeks to correct affects only a small but nonetheless important section of our total population.

I do contend, however, that an injustice to a relatively small but very deserving segment of our population does now exist, and contend that if H.R. 2155 is enacted it will help correct this injustice. Therefore, Congress has an obligation to pass this bill.

Let me explain briefly the situation which this measure is designed to rectify and the terms of the bill itself.

Under the provisions of part III of the Federal Employees Salary Act of 1962, the income of surviving spouses of Federal annuitants was set at 55 percent of the total benefit received by the annuitant at the time of his death.

As the law now reads, this 55 percent for the surviving widow or widower applies only to those situations where the retired employee dies after the passage of the 1962 law.

Obviously, as matters now stand, there are thousands of survivors—those dependent on annuitants who died prior to 1962—who receive far less than 55 percent of the annuitant's income when he was alive. This is because earlier formulas were not as liberal.

When we realize that the average annual income of all of the approximately 453,000 annuitants now on the retirement rolls is only \$2,148, we can appreciate that even the full 55 percent of this sum is hardly conducive to luxurious living. Anything less than this is likely to mean hardship.

There are well over 150,000 survivors who depend on their checks from the Federal retirement fund to keep alive. Because of the different times when their husbands retired and the different laws in effect at those times, the incomes of these survivors are computed under several different formulas. One result, to give a concrete example, is the regrettable fact that many widows of Federal annuitants are now drawing checks of only \$70 or so each month.

The purpose of H.R. 2155 is to make uniformly applicable to all surviving spouses the 55 percent formula that now covers only those cases in which the annuitant has died since 1962. I might add that the bill covers not only Federal employee annuitants and their spouses but also Members of Congress and their wives or husbands, as the case may be.

The objective of this measure is in line with equity, consistency, and commonsense.

All of us are anxious to get our work finished so that we can adjourn. I am as eager as the next man to get home, but we of the 88th Congress cannot in good conscience simply ignore or cast aside deserving legislation just so we can get out of Washington in a hurry.

H.R. 2155 is indeed deserving legislation, and I strongly urge this Congress to give it prompt and favorable consideration.

Mr. MORRISON. Thank you, Mr. Cleveland.

The next witness is Mr. Jerome J. Keating, president, National Association of Letter Carriers.

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

Mr. KEATING. Mr. Chairman and members of the committee, my name is Jerome J. Keating. I am president of the National Association of Letter Carriers. It is my privilege to specifically represent 170,000 letter carriers, located in more than 6,000 branches spread through all 50 of our States and our insular possessions.

When our association was organized in 1889, the invitation to attend the meeting which was held in conjunction with a meeting of the Grand Army of the Republic, the committee issuing the invitation set forth as one of the objectives, the establishment of a pension plan for postal employees. The National Association of Letter Carriers actively participated in the passage of the retirement law and in all the amendments to the act since its date of passage. We are vitally interested in the legislation currently before your committee.

On behalf of the members of our association, I want to congratulate the distinguished chairman of the subcommittee, Mr. Morrison, for scheduling this important hearing at this time and to the able Representative from Montana, Mr. Olsen, for introducing the legislation now pending before the committee.

We favor the objective of H.R. 2155 which would do two things: First, it would result in substantial increases in survivor annuities and, secondly, it would do away with the reductions in annuities that are required in order to provide survivorship benefits. Survivorship annuities are exceedingly low. The average of a survivor who was placed on the rolls prior to August 1, 1956, is only \$50 per month. The average annuity of those who were placed on the rolls since the passage of Public Law 854 on August 6, 1956, is only \$80 per month.

The President of the United States said that the official designation of poverty in this country is a family in which the annual income is \$3,000 or less per annum. Many of the civil service annuitants maintain families on an amount far less than this poverty level.

At this time, I would like to call the attention of the committee to two bills currently before the committee that are extremely important and we hope will become law before many months have passed. One of these bills is H.R. 6366, introduced by the chairman of this committee, Mr. Murray, of Tennessee, and the purpose of this legislation is to provide for a better method of financing the civil service retirement fund. Briefly, the bill provides for an increase in agency contributions of one-half of 1 percent of the agency payroll each year until the money in the fund is sufficient to maintain the civil service retirement fund on a normal cost-plus-interest basis.

I might state that I do not share the extreme apprehension shown by many critics of the civil service retirement fund. I do believe that it would be to the advantage of all of those on the civil service retirement rolls, if the fund was placed on a stronger financial basis. I would like to emphasize, however, that the civil service retirement fund is the best financed retirement fund under Government supervision. The fact that it is not even better financed is due almost entirely to the failure of administrators to recommend, and Congress to provide, the funds recommended by the actuaries as being necessary.

Actually, there has been a basic difference in philosophy ever since the fund was first established, and that basic difference has been whether it is necessary to set aside money to pay for expenditures to be made in the future. Hubert Work, who was one of the first administrators of the fund, referred to this, saying:

The Government is in the position of guarantor of the fund and, being the foundation of our economic structure, does not need to give bond or make deposit to insure specific performance of its obligations. If a like theory were extended to other Federal activities, it would follow that the Government would carry insurance on its buildings, maintain a depreciation account against its property, or give bond for specific performance of the contractor.

That philosophy has been reasserted in recent years. Mr. Campbell, the Comptroller General, stated that the Government has the absolute obligation and, in his opinion, he did not think it made any difference whether they had a large amount of money in the fund or not.

I do not like that position, because if you do not have a substantial fund, the employees are not necessarily guaranteed the benefits that they should receive. We believe in a quite well financed fund, and for that reason we are in support of the legislation.

I do question the bleakness of some of the figures offered by the Commission, pointing out that by 1990 we will have to spend \$2 to \$3 billion a year. Presently the total expenditures of the fund are slightly less than \$1 billion. The assumption is that either the Government is going to grow very fast or we are going to get an awful lot of pay raises. The difficulty we have getting one pay raise makes it quite impossible that they will require \$2 or \$3 billion by 1990, in my opinion. I think that is an excessive estimate of the cost to the fund.

I do think this should be looked at, and the bill that is presently before the committee to provide for additional funding is something that we would like to see enacted into law.

I might point out, too, when the Kaplan committee made its study about 10 years ago, at that time the deficit in the civil service retirement fund, according to their estimate, was about \$9 billion, but the unfunded liability of the military retirement was about \$18 billion. If you had a fully funded program for all of the Government, you would have a tremendous amount of money to invest. I think we must bear in mind, too, that the only place you can invest Government money is in Government debt. You cannot go out and invest billions of dollars from the Government in private stocks and things of that sort. We have a very complicated problem here, and I do not think it too simple. At the same time, we are in favor of an adequate fund, and I go along very strongly, because I think we should have enough money in the fund to take care of the normal cost and the interest cost.

I want to also emphasize the fact that since the inception of the civil service retirement system, the contributions made by the employees have been more than sufficient to pay all of the expenditures of the fund and that there is some \$14 billion currently in the fund. We do, however, recommend the passage of the pending bill and I wish to commend the Civil Service Commission for their alertness in seeking to maintain the fund on a sound substantial basis.

There is one other bill that I feel is most urgent and should be given prompt consideration. This bill is H.R. 8162, sponsored by Mr. Olsen of Montana, which provides for annuity increases for annuitants and survivors on a graduated scale ranging from 3 to 9 percent, depending upon the amount of annuity currently being received.

Public Law 87-793, passed in 1962, provides for a cost-of-living increase effective when the cost of living advances 3 percent. According to current indications, the earliest that such a cost-of-living increase could be secured would be April 1, 1966. This measure falls far short of providing sufficient advances for the retirees. The waiting period which is actually about 15 months after the cost of living is reached is far too long.

We have testified many times before on the subject of pay and also on the subject of retirement that increases that merely reflect the cost of living are not sufficient. They do not reflect improved standards of living nor compulsory adjustments brought about through improved standards of living. The average annuity currently being received by an employee annuitant is \$179 per month and is grossly inadequate. We respectfully request to this committee that they give consideration to H.R. 8162 which provides for a 9-percent increase for those getting \$1,800 per year or less, 8 percent for those getting from \$1,800 to \$2,200, and the gradual reduction of percentage according to the amount of the annuity until the figure of 3 percent is reached. This is a fair and equitable bill wherein we will be paying the retirees an amount of money bearing some relation to the purchasing value of the smaller amount that he was receiving at the time of his retirement.

I hope that this legislation can be considered and speedily enacted into law.

Mr. MORRISON. Thank you very much, Mr. Keating, for your statement.

Are there any questions?

Mr. Nix. I have no questions, but I would like to clarify my position by making a statement.

I would like to reject the part of the statement by Mr. Macy in which he says:

We do not consider that Government assumption of the added costs involved can be justified on grounds of good personnel management or sound retirement policy.

I do not believe he can support that assertion.

I wish to accept as my position that part of Mr. Keating's statement which reads:

This is a fair and equitable bill wherein we will be paying the retirees an amount of money bearing some relation to the purchasing value of the smaller amount that he was receiving at the time of his retirement.

I thank you.

Mr. MORRISON. If there are no further questions, we certainly appreciate your testimony, Mr. Keating.

The next witness is Mr. John A. McCart of the Government Employees' Council, AFL-CIO.

**STATEMENT OF JOHN A. McCART, OPERATIONS DIRECTOR,
GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO**

Mr. McCART. Mr. Chairman and members of the subcommittee. The Government Employees' Council, representing 29 AFL-CIO unions with members in the postal, classified, and wage board services of the Federal Government, desires to endorse the pending legislation.

Under the present Civil Service Retirement Act, as amended, a married employee who retires is automatically entitled to a survivorship annuity for his spouse upon his death, unless he requests his retirement benefits without the survivor feature. To be granted the survivorship pension, the employee's annuity is reduced by 2½ percent of the first \$3,600 plus 10 percent of any amount above \$3,600. Thus, the individual with an annuity of \$2,400 desiring a benefit for his spouse upon his death would have his retirement reduced by 2½ percent or \$60 a year. It should be noted that \$2,400 is well below the average annuity available to civil service retirees.

The basic effect of H.R. 2155 and similar bills is to eliminate this reduction in the primary pension so that the employee may enjoy the full amount during his years of retirement.

Approximately 453,000 men and women are currently on the civil service annuity rolls. Their average monthly benefit is \$179 or less than \$2,150 a year. This amounts to about \$45 a week.

This meager income illustrates vividly the need for revising the present Retirement Act to delete any reduction in the pension of an employee selecting a survivorship annuity for his widow when he passes on. It is unnecessary to dwell here on the economic hardship experienced by older men and women on fixed incomes.

Thus, the purpose of the bill is highly laudable and merits the favorable attention of the subcommittee.

But it is impossible to consider one segment of retired Federal workers without dealing with the entire problem. It is our firm belief that financial relief for those receiving civil service annuities is justified and overdue.

The figures cited above indicate that the vast majority of Federal annuitants receive far below the income necessary to maintain a normal standard of living as it has developed in our country. When we recall that advancing age brings with it unusual medical and related expenses the case for adequate annuities becomes even more compelling.

There are those who would argue that many Federal retirees have benefits in excess of the \$179 monthly average. While this is true, a more substantial number by far have annuities below the average.

In October 1962—Public Law 87-793—Congress adopted a cost-of-living formula for adjusting the benefits of retired Federal workers and survivors. Under this method, an increase of 3 percent in the consumer price index by December of a given year would result in a similar adjustment in annuities effective April of the following year.

The formula represents an effort to maintain some ratio between the consistent advance in living expenses and the fixed incomes of retirees. But it does not account for the disparity between these two items at the time of enactment.

In enacting Public Law 87-793, the House and Senate approved an increase of 5 percent for annuitants. And it added the cost-of-living feature described above. However, in 1962 our organizations believed that a minimum pension increase of 10 percent was justified. We must still consider the amount of annuity required to provide these long-time career public servants with sufficient income to prevent their going into debt, borrowing from relatives or friends, or simply neglecting their obligations.

Among the bills referred to the committee is H.R. 8162. Sponsored by Representative Arnold Olsen, the measure increases annuities of those already retired on a graduated basis ranging from 3 to 9 percent. Those receiving smaller pensions would be entitled to the larger percentage increase. Annuitants entitled to \$1,800 or less would receive a 9-percent increase; those whose retirement income exceeds \$3,801 would be entitled to a 3-percent adjustment.

The council believes this legislation is highly meritorious. Many of those currently on the retirement rolls left Government service many years ago. Their annuities are a pittance because they were computed on a very small salary base and under the percentage formula in effect in years past. Included also are a large number of disability annuitants who found it necessary to leave their Federal jobs and apply for retirement because of their physical inability to continue. Of those who retired before August 1956, the average monthly benefit is \$121. I am certain there is ready agreement that this sum is totally inadequate to provide necessities in terms of today's prices.

On the one hand, we have the constant struggle of these retirees and their survivors to keep abreast of rising costs; on the other, their complete inability to advance their standard of living. And this in the face of an unprecedented progress in the living standard of our Nation generally.

We urge, therefore, that the subcommittee give sympathetic consideration to legislation increasing the annuities of retired Federal employees and their survivors before the 88th Congress adjourns.

In any discussion about improving the provisions of the Civil Service Retirement Act there arises, inevitably, the matter of the fiscal soundness of the retirement funds.

For many years concern has been expressed about the increasing unfunded liability of the civil service retirement fund. During a large portion of this time, the Board of Actuaries of the Civil Service Retirement System felt that the program should be "actuarially sound." Under this theory the retirement fund would be able, on any given date, to meet all of the demands which could legitimately be made upon it. We have not subscribed to this theory because it simply is unrealistic to assume that all possible claims would be asserted on a particular date.

On the other hand, our unions have recognized that good business acumen demands that some method be devised to achieve a certain level of fiscal soundness in the fund and to maintain it at that point to assure employees and their beneficiaries the program will be able to meet its obligations to them.

The basic problem has been absence of a consistent policy on replenishing the fund to meet current requirements and needed improvements.

Forty-three years ago, Congress enacted the original Civil Service Retirement Act. During that period, the Federal Government has seldom met its financial obligation to the program. In 10 of those years, Congress approved no appropriation representing the Government's contribution to the fund. In other instances, requests of the executive branch for the employer's share have been pared before approval.

The underlying concept of the original Retirement Act was that contributions by employees and employer would give each an important stake in preserving the system as an effective staff annuity plan. From its inception, in 1920, the employees' share has increased by law from 2½ to 6½ percent of base salary. There has been no question about the individual's convenience or ability to pay. Deductions of these amounts have been made from his or her wages before take-home pay is received.

Whether national fiscal policy or other considerations are the cause, the simple fact is that the Federal Government has not contributed over the years its share of the cost of current and future benefits.

H.R. 6366, introduced by Committee Chairman Tom Murray, provides that beginning in fiscal 1965 agency contributions to the retirement fund will be increased one-half of 1 percent of basic payroll each year until the total contributions reach 11 percent in 1986.

The bill provides a gradual, rational method of attaining financial stability in the retirement fund over a lengthy period. Under the proposal, huge appropriations in a lump sum will not be required.

For these reasons, the council urges the subcommittee to prepare favorable recommendations on the necessary legislative remedy without delay. We favor enactment of the principal features of H.R. 6366.

Mr. Chairman, we cannot allow this opportunity to pass without extending sincere thanks to the many members of this committee and the House who have sponsored bills in the 88th Congress to aid active and retired Federal employees and their beneficiaries in the field of retirement.

To you and your colleagues on the subcommittee we express special gratitude for arranging this hearing and the occasion to present the views of the unions associated with the council. We trust our comments will prove helpful to the subcommittee in its deliberations on the pending proposals. Thank you.

Mr. MORRISON. The next witness the committee would like to hear from is Mr. Clarence Tarr, president of the National Association of Retired Civil Employees.

STATEMENT OF CLARENCE TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY GEORGE NICHOLS, FIRST VICE PRESIDENT AND LEGISLATIVE REPRESENTATIVE; JAMES BELLENGER, SECOND VICE PRESIDENT; AND JOHN OVERHOLT, LEGISLATIVE COUNSEL

Mr. TARR. Mr. Chairman and members of the subcommittee, my name is Clarence M. Tarr and I am president of the National Association of Retired Civil Employees. Our association has more than 114,000 members who are retired from civilian positions in the Federal Government or the District of Columbia, or are dependents or survivors of such retired employees. We have over 920 local chapters throughout the United States, and we have 38 State and area federations of chapters. I am accompanied by Vice President George L. Nichols who is legislative representative, Vice President James O. Bellenger, associate legislative representative, and John A. Overholt, our legislative counsel. We appear to speak in behalf of H.R. 2155, H.R. 2590, H.R. 3967, H.R. 4462, and related bills which offer varying methods of improving survivor benefits under the civil service retirement system. Under H.R. 2155 and H.R. 6430 by Representative Arnold Olsen of Montana, the surviving spouses of deceased retirees would receive annuities without any reduction in the original annuity of the retiree; a spouse married after retirement would be covered if the marriage continued for 3 years; the survivor annuity would be 55 percent of the amount of the retiree's annuity at the time of death, and full annuities would be restored to all retirees who are now receiving reduced annuities in order to provide a survivor annuity.

Companion bills are H.R. 3296, by Representative Thaddeus J. Dulski of New York; H.R. 5180, by Representative Dominick V. Daniels of New Jersey; H.R. 6395, by Representative Joel T. Brohill of Virginia; H.R. 8335, by Representative William L. St. Onge of Connecticut; H.R. 9758, by Representative Alvin E. O'Konski of Wisconsin; H.R. 10229, by Representative Joseph M. Montoya of New Mexico; H.R. 10715, by Representative Thor C. Tollefson of Washington; H.R. 10966, by Representative Robert F. Ellsworth of Kansas; and H.R. 12093, by Representative Kenneth A. Roberts of Alabama. H.R. 2590, by Representative Seymour Halpern of New York, would permit a retiree who is receiving a reduced annuity because he elected a survivor annuity for his spouse, in the event of the spouse's death, to remarry and designate such second spouse to receive the survivor annuity. H.R. 3967, by Representative Charles McC. Mathias of Maryland, would permit a retiree who was unmarried at the time of retirement, in the event of his marriage later, after such marriage had continued for 3 years, to elect a reduced annuity and designate his spouse to receive a survivor annuity. H.R. 4462 and H.R. 8792, by Representative Arnold Olsen of Montana, would require the recomputation of all reductions in annuities of persons who retired before October 11, 1962, and designated their spouses to receive survivor annuities, to give them the benefit of the more favorable formula enacted in Public Law 87-793. Companion bills are H.R. 9040, by Representative Edith Green of Oregon, and H.R. 12094, by Representative Kenneth A. Roberts of Alabama.

Survivor annuities are considered to be one of the most important benefits in the civil service retirement system, second only to the annuities granted to retired employees. They first became available under Public Law 263, 76th Congress, approved August 4, 1939, and effective January 1, 1940. For more than 8 years, until April 1, 1948, survivor annuities were based on actuarial computations—that is, the sum of the actuarial value of the reduced annuity plus the actuarial value of the survivor annuity, was to be equal to the actuarial value of the unreduced annuity at the time of retirement. Two options were available, (1) with the survivor to receive the same amount as the retiree, and (2) with the survivor to receive one-half the amount of the retiree. This system was rather complicated and was not widely used.

Survivor annuities as we generally understand them were introduced in Public Law 426, 80th Congress, approved February 28, 1948, and effective April 1, 1948. Under the plan in this law, each retiring employee at the time of retirement could elect a reduced annuity and designate his wife as a beneficiary to receive an annuity after his death equal to one-half of the annuity he would have received if he had not elected the reduced annuity. The reduction was at the rate of 10 percent, plus three-fourths of 1 percent for every year his wife was under 60 years of age at that time, with the total reduction not to exceed 25 percent. This provided a more simple method of computation and a great many retiring employees elected to provide survivor annuities for their wives.

This reduction formula was liberalized by Public Law 310, 81st Congress, approved September 30, 1949, so that a reduction of only 5 percent was required with respect to the first \$1,500 of annuity, continuing the 10 percent reduction with respect to that portion of the annuity over \$1,500, and continuing also the additional reduction of three-fourths of 1 percent for each year the wife was under 60 years of age. The overall limitation of 25 percent on all reductions was also retained. The benefits of Public Law 310 were not made retroactive for the benefit of persons previously retired.

Again in Public Law 854, 84th Congress, approved July 31, 1956, effective October 1, 1956, the formula for reductions in annuity to provide a survivor annuity was liberalized further. The reduction on the first \$2,400 of annuity was reduced to 2½ percent, with the balance of annuity subject to a reduction of 10 percent. The further reduction of three-fourths of 1 percent for each year the wife was under age 60 was discarded entirely. For the first time, a retiring employee had the option of providing a survivor annuity based on only a portion of his annuity. For example, he could elect a survivor annuity for his wife of \$100 per month, \$1,200 per year, for a reduction of only \$60 per year, \$5 per month, 2½ percent on the first \$2,400 of his annuity, and no reduction in the balance, regardless of her youth or age at the time of his retirement. These liberalized benefits were not retroactive for persons previously retired.

The most recent liberalization was in Public Law 87-793, approved and effective October 11, 1962, when the percentage of the survivor annuity was increased from 50 to 55 percent and the amount subject to reduction at 2½ percent was increased from \$2,400 to \$3,600. These

liberalizations were not retroactive for the benefit of persons previously retired.

Now we find that persons retired years ago, when salary and annuity rates were much lower, are having to pay much heavier charges for survivor annuities than persons who retired since October 11, 1962. We will present a few examples:

Mr. A retired on April 1, 1948, after a lifetime of service, and the formula in effect at that time showed that he had earned an annuity of \$3,000 per year. He had a wife only 40 years of age, and he wanted to provide for her. His annuity was reduced 10 percent plus three-fourths of 1 percent for every year she was under 60 years of age—a total of 25 percent. This left him with \$2,250 per annum or \$2,256 when rounded to even dollars per month, and assured her a survivor annuity of \$1,500 per year or \$125 per month. Over the years, his annuity has increased to \$3,252, and his wife's survivor annuity has increased to \$1,740 per year. But if he had not elected a survivor annuity, his annuity would now be \$4,188; so he is now taking a reduction of \$936 per year to provide a survivor annuity for his wife of \$1,740 per year.

Mr. B also retired on April 1, 1948, with an earned annuity of \$3,000 and provided a survivor annuity for his wife who was then 60 years of age. His annuity was reduced 10 percent and he started out with \$2,700 per year and his wife's survivor annuity was to have been \$1,500 per year. Since that time his annuity has increased to \$3,804, and his wife's survivor annuity has increased to \$1,740. If he had not elected a survivor annuity, he would now be receiving an annuity of \$4,188, and so he is currently paying \$384 per year to provide his wife \$1,740 per year.

Mr. C retired April 1, 1950, with an earned annuity of \$3,000, and designated his wife, 52 years of age, to receive a survivor annuity. His annuity was reduced 5 percent on the first \$1,500, 10 percent on the remaining \$1,500, and 6 percent on \$3,000 because his wife was 8 years under age 60, making a total reduction of \$408—\$405 plus \$3 to round out to be divisible by 12. His original annuity of \$2,592 has been increased until he now receives \$3,612, and his wife's survivor annuity would have been \$1,740, but she has died. If he had not designated her to receive a survivor annuity, his annuity would now be \$4,128. He is currently paying \$516 per year, \$43 per month, for a survivor annuity that has lapsed.

Mr. D retired April 1, 1957, and his earned annuity under the more liberal formula of the 1956 act was \$3,600. His wife was 50 years of age but he did not have to take any reduction on that account. He designated her to receive the maximum survivor annuity of \$1,800, 50 percent of his entire earned annuity, and so his annuity was reduced 2½ percent on \$2,400 and 10 percent on \$1,200, a total of \$180 per year. His annuity has now been increased to \$3,588, and his wife's survivor annuity has increased to \$1,890. If he had not taken the reduced annuity, he would now be receiving \$3,780, so he is currently paying \$192 for his wife's survivor annuity of \$1,890.

Mr. E retired April 1, 1963, and his earned annuity under higher salary rates since 1957 and with the benefit of the 4-percent increase, was \$4,200. He designated his wife to receive a survivor annuity based on \$3,600 of his annuity, which will give her \$1,980 per year, and his

annuity is decreased $2\frac{1}{2}$ percent on \$3,600, which with the benefit of rounding to even dollars per month, turns out to be \$84 per year. For this \$84 per year, or \$7 per month, his wife will receive \$1,980 per year or \$165 per month.

Now, we find that Mr. A is paying by annuity reductions \$53.80 per year for every \$100 per year his wife will receive if she survives him; Mr. B is paying \$22.18 per year for each \$100 per year his wife will receive; Mr. C is paying \$29.61 per year for each \$100 his wife won't receive because she has already died; Mr. D is paying \$10.16 per year for each \$100 per year his wife will receive, while Mr. E is paying only \$4.24 per year for each \$100 per year his wife will receive as a survivor annuitant. Mr. A is paying more than 12 times as much as Mr. E; Mr. B is paying more than 5 times as much as Mr. E., Mr. C is paying more than 7 times as much as Mr. E, and Mr. D is paying more than twice as much as Mr. E.

This is one of the most glaring injustices in our retirement system. Our older retired people who reached retirement age 8, 12, and 16 years ago, are handicapped in their annuities by smaller salary bases at the time of retirement—because they did not receive the big salary increases that have taken place in the last 8 years—many of them also retired before the more liberal formula was made available in 1956, but most of all are saddled with crippling reductions in their annuities in order to provide meager survivor annuities for their wives. Many of the persons now retiring are receiving annuities at least 50 percent greater than those received by persons who retired from the same positions 14 or 16 years ago. This seems like an injustice to many of our people who believe that those who did the same work for the same number of years should receive comparable pay in retirement, but this is trivial when compared with the greater price charged against those least able to pay, in the matter of providing survivor annuities.

Another feature believed to be an injustice to many of our members is the fact that the reduction in annuity continues for this lifetime of the retiree, even though his spouse may die soon after his retirement. Many of our older retirees are still suffering reductions of 10 to 20 percent in the meager annuities available when they retired, with no survivor who can receive a benefit, while those retired in the last couple of years may not have to pay over $2\frac{1}{2}$ percent for more substantial annuities for living spouses. Bills H.R. 190, by Representative John Lesinski, of Michigan, and H.R. 1057, by Representative William C. Cramer, of Florida, were introduced to restore full annuities to such retirees when predeceased by their spouses named as survivors.

Even more serious is the injustice in the case of a retiree who is predeceased by his spouse named as a survivor, and who remarries. The reduction in his annuity continues but he cannot transfer the benefit of the survivor annuity to the new spouse. This is true even though the new spouse may have had to relinquish a survivor annuity at the time of marriage. H.R. 2590, by Representative Seymour Halpern, of New York, would permit the remarried retiree in such a case to designate the new spouse to receive the survivor annuity.

We also have the situation of a person who is unmarried at the time of retirement and cannot arrange for a survivor annuity, and marries later. He feels obliged to provide for the welfare of his spouse after his death, but finds no opportunity to do so under existing law. He

cannot now elect a reduced annuity to provide a survivor annuity for his spouse under any circumstance. H.R. 3967, by Representative Charles McC. Mathias, of Maryland, would permit such a retiree, after marriage had continued 3 years, to elect a reduced annuity and name his spouse to receive a survivor annuity.

We believe the best way to solve all of these problems is to approve H.R. 2155, or one of its companion bills, to authorize free survivor annuities for every retiree married at the time of retirement, and for those who marry after retirement, if the marriage in each case continues for 3 years, each survivor annuity to be 55 percent of the amount of the retiree's annuity on the date of death, and recomputing all reduced annuities and survivor annuities accordingly. This bill would equalize all deductions from original annuities to provide survivor annuities by eliminating them entirely. It would restore full annuities to all persons now penalized by reductions in order to provide survivor annuities for persons who have died. It would equalize survivor annuities by making them 55 percent in every case; this percentage to apply to the retiree annuity at date of death, instead of date of retirement. It would provide a survivor annuity for the spouse married after retirement. We respectfully request and urge that this bill be approved.

However, if the Congress cannot approve the package proposal in H.R. 2155, and related bills, we believe the least it can do is to approve the more modest approach in H.R. 4462, by Representative Olsen, of Montana, and H.R. 9040, by Representative Edith Green, of Oregon. These bills would help the persons who need help most. The retiree who elected to take a 25-percent reduction in his small annuity 16 years ago, and who is still almost 25 percent short of a full adjusted annuity, would receive the substantial increase he deserves. The person whose reduction is only 10 percent would receive a smaller but welcome adjustment. The retiree since 1956 whose reduction averages from 4 to 7 percent would be placed on a par with the person who retired within the last 2 years. We urge this as the minimum adjustment of survivor provisions in the retirement laws.

Also, if the full program proposed in H.R. 2155 cannot be approved, we urge favorable consideration for H.R. 2590 to permit the remarried retiree to designate his second spouse to receive the survivor annuity, and favorable consideration also for H.R. 3967, to permit a retiree married since retirement to elect a survivor annuity for his spouse.

We appear also in favor of bills H.R. 8162 and H.R. 9050, by Representative Arnold Olsen; H.R. 10655, by Representative Claude Pepper; H.R. 10735, by Representative Thaddeus J. Dulski; H.R. 10751, by Representative James C. Healey; H.R. 11207, by Representative Seymour Halpern; H.R. 11852, by Representative Charles McC. Mathias; H.R. 11917, by Representative Joseph M. Montoya; H.R. 11921 by Representative Fernand J. St Germain; and H.R. 12092, by Representative Kenneth A. Roberts, which would increase annuities paid from the civil service retirement fund.

Among our membership we have many who have retired within the last few years under the more liberal retirement laws, and with very substantial average salaries, but we also have many who retired years ago, when salaries were much lower and under a less liberal retirement formula. As of June 1, 1963, just 1 year ago, the records of the Civil

Service Commission showed that there were 23,000 annuitants who had retired prior to 1948, during a period when salaries were less than half of what they are today, and when the maximum annuity, regardless of the number of years of service, was only one-half of the meager pay at that time. Annuity increases in 1948 and since that time have added 75 to 95 percent to these annuities but they are still only about half of the annuities paid to persons who retire today from the same positions. Remember, that the person who retired before 1948 after 45 years of service received only half of the meager salary he received during the 5 years prior to retirement. Today, his successor who serves 45 years receives an annuity of more than 80 percent of the much higher salary for his high 5 years. The disparity is too wide to be acceptable.

Also, we have many members who retired after the 1948 liberalization in the retirement act and prior to the 1956 liberalization, and they find their present annuities far under the annuities paid to their successors who have only recently retired. Some of this disparity may be due to the more liberal formula adopted in 1956, but most of it is due to the much higher average salaries under which more recent annuities are based. It is not unusual for our members to point out that a person retired 10 or 12 years ago receives from 30 to 50 percent less than one who has retired recently from the same kind of a position. The 1963 report of the Civil Service Commission shows that 187,982 persons still on the rolls retired under laws prior to the 1956 revision of the Retirement Act. In general this indicates that 167,000 persons who left the service between 1948 and 1956 are receiving substantially smaller annuities than the 265,000 who retired after October 1, 1956.

Furthermore, our members are losing out in the battle against inflation. Two years ago, in Public Law 87-793, the Congress enacted into legislation a pledge to increase annuities to match increases in the cost of living whenever there has accrued an increase in the cost of living of 3 percent or more. This was a giant step forward in maintaining the purchasing power of annuity dollars. But, at the same time, in what purported to be an increase to match previous increases in the cost of living, we received only 5 percent to cover cost-of-living increases which had totaled 14 percent since the last general annuity increase in 1955.

In 1962, the 5-percent increase was intended to cover increases in the cost of living only since 1958, because there was an annuity adjustment bill approved in 1958. However, the fact is that the 1958 annuity adjustment bill was planned and approved as a means to giving to persons retired before Public Law 84-854, which was effective October 1, 1956, the equivalent of a portion of the benefits otherwise denied to them but available to future retirees. The 1958 annuity adjustment was not a general increase because it was specifically denied to persons retired on or after October 1, 1956. This is a most significant point since the cost of living made terrific advances in the period from 1955 to 1958. The actual annual averages of the Consumers Price Index from 1955 through 1962 were as follows:

1955-----	93.3	1959-----	101.5
1956-----	94.7	1960-----	103.1
1957-----	98.0	1961-----	104.2
1958-----	100.7	1962-----	105.4

This increase of 12.1 points in the Consumers Price Index between the general annuity increase of 1955 and the general annuity increase received as of January 1, 1963, is calculated on a percentage basis at 14 percent, which indicates that persons retired in the past are still 9-percent short of receiving annuity increases to meet cost-of-living increases.

This is in sharp contrast with the consideration given by private industry to retired employees. Sylvia Porter, a feature writer for the Washington Star newspaper, reported in the edition for Sunday, June 14, that the General Electric Co. granted a 15-percent increase in 1963 to its 25,000 ex-employees who had retired under the less favorable pension contracts of former years. Furthermore, the report adds, since 1960 the General Electric Co. has given increases totaling 45 percent to its former employees who retired before September 1, 1946, at a cost of \$20 million during this period alone. Medical and hospitalization benefits have also been increased for these retirees and their dependents. Most of these benefits are free but additional coverage is available at a cost of only 75 cents perperson per month. Miss Porter uses this example to illustrate her conclusion that:

In increasing numbers, private industry is remembering its "forgotten" employees who retired a decade or more ago, when salary and cost-of-living levels were far below today's averages.

During this same period since 1960, civil service annuities have been increased only 5 percent, and no additional consideration has been given to persons who retired in the forties when salaries were lower and the annuity formula was less favorable. The same 5 percent went to those retired in 1946 as to those retired in 1952, 1956, and 1962. We received an increase of 50 cents per month in medical and health benefits, but the Government plan is still much less generous than the plan of the General Electric Co.

We would like to have Miss Porter's entire article printed in the record immediately following our presentation.

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

Mr. TARR. Although our association has previously requested legislation granting us another 5-percent increase in annuities in addition to the 5-percent increase received last year under the 1962 act, to partially offset the disparity in keeping pace with the cost of living, we now believe we should ask for the entire 9-percent deficiency to bring about complete equality between annuities and the cost of living.

With respect to the sliding-scale approach to annuity increases in H.R. 8162, we note that there are many persons whose annuities are small only because they retired on the basis of short periods of services. For example, the 1963 Annual Report of the Civil Service Commission shows that 72,579 persons on the retirement rolls had retired without disability on the basis of 5 years of service. This is more than a third of the annuitants receiving under \$1,800 per annum. We do not believe it is a matter of justice to give these short-service retirees more consideration in granting annuity increases than we give to those retired after dedicated careers of service.

Our recent national convention at Des Moines, Iowa, declared its support for H.R. 8162, particularly because it promises hopes for an increase of 9 percent for many who are now receiving small annuities. We present that endorsement today, together with a request

that it be amended to give equal justice to all career retirees, and to offset the 9-percent cost-of-living deficiency.

We recommend that H.R. 8162 be amended to give an increase of 9 percent to all annuitants now on the retirement rolls. We also request this subcommittee to consider whether it is necessary or advisable to clarify either in the bill or the report that it shall not interfere in any way with the 3-percent cost-of-living increase plan approved in Public Law 87-793, and in operation since January 1, 1963.

We also appear in favor of bill H.R. 3508, by Representative James G. Fulton, of Pennsylvania, which would permit a person receiving a survivor annuity to remarry without loss of the annuity, and we also endorse H.R. 2143, by Representative Edna F. Kelly, of New York, and H.R. 3017, by Representative Jack Westland, of Washington, which would restore a survivor annuity to a survivor who had lost the annuity by remarriage, if such new spouse should die first.

The restrictions on marriage placed on those who receive survivor annuities are unnatural, unrealistic and unjust. One of the greatest problems of the elderly is loneliness. God did not create people to live alone. Marriage should be encouraged among the elderly, as the natural, most desirable way of life. We should revise the rules governing retirement annuities whereby if a retiree loses his wife, he is handicapped in finding another mate—he cannot offer her any security as his survivor. Likewise, it is not right that a widow receiving a survivor annuity is now barred from marriage to a new husband, under threat of loss of her annuity. We favor the broader concepts of H.R. 3508 which would remove the marriage limitations on survivor annuitants, but if this is not approved, we favor the limited relief proposed in H.R. 2143 and H.R. 3017.

Thank you for this opportunity to appear and make this presentation. We will be most happy to answer any questions any member of the subcommittee or the staff wishes to ask.

(Miss Porter's article referred to follows:)

[Reprinted from the Washington, D.C., Star, June 14, 1964]

Your Money's Worth

COMPANIES REMEMBER "FORGOTTEN EMPLOYEES"

(By Sylvia Porter)

In 1963, General Electric granted a 15-percent across-the-board pay increase to a group of men and women to whom it legally owed nothing. They were 25,000 ex-employees of GE who had retired under pension contracts geared to the formulas and salaries of past years.

Since 1960, GE's "raises" have amounted to 45 percent for all workers who retired on or before September 1, 1946—at a cost to GE of about \$20 million during this period alone. In addition, medical and hospitalization insurance coverage was more than doubled last year for retired employees with 10 or more years of service. This coverage is now \$6,000, up from \$500 in 1948, and a retired employee can get another \$3,000 in medical and hospitalization insurance for 75 cents a month or \$1.50 for himself and his wife.

In increasing numbers, private industry is remembering its "forgotten" employees who retired a decade or more ago, when salary and cost-of-living levels were far below today's averages.

GE IS ILLUSTRATION

What GE is doing is a dramatic illustration of this practice, but it is only one illustration. Other leaders in efforts to revise formulas of retired workers to meet current conditions include American Telephone, United States Steel, Bankers Trust, RCA, Detroit Edison, Columbia Gas.

The percentage of corporations adopting this enlightened social welfare approach is small. Because agreements are often made informally, there are no accurate statistics available, but an informed guess is that only between 10 and 25 percent of all companies with pension plans even try to help "equalize" the position of the already retired worker. Nevertheless the trend is emerging.

About 25 million workers—or 40 percent of all in private industry—are covered by company pension plans today. In contrast, only 10 million were covered as recently as 1950.

About 2.3 million retired workers are drawing about \$2.4 billion a year in pension benefits today, against 450,000 in 1950, and the average pension has increased 25 percent in the period.

At the foundation of all individual retirement programs is, of course, our social security system, the greatest insurance system in the world. Also basic is the fact that social security benefits have been climbing steadily since the 1930's, and are still rising.

But social security is just the foundation of an individual's financial independence in retirement, not the whole—and it was never meant to be the whole thing. As private pension programs have increased and company benefits have been steeply increased, the gap between the circumstances of the hundreds of thousands who retired in past years and who are now retiring has widened perceptibly.

GAP IS HIGHLIGHT

This gap is what highlights the importance of efforts by corporations on their own to upgrade the pension status of already retired employees.

Retired workers themselves have no official collective voice; their pensions are "contracts" and they have no power to renegotiate them. No union may bargain for pensioners, according to the National Labor Relations Act—and past efforts by some unions to do this have met with next-to-zero success.

Although the Federal Government, as of 1962, provided for automatic pension raises tied to cost-of-living increases, only a fraction of our retired work force is involved here.

The lead in periodic reviews of past pension contracts to adjust them to today's realities must, therefore, come voluntarily from private industry. It's costly, but as this report itself underlines, the overall return to a company may dwarf the actual money outlay.

The importance of community good will cannot be shrugged off—retired workers have a rising voice and vote. Nor can the appeal to employees a corporation wants to hire and to employees it wants to hold.

The simple fact that the population is aging so rapidly warns us that the number of retired individuals will soar in coming years and the push toward earlier retirement both by corporations and unions will lift the figures even higher.

Equalization of a retired worker's benefits is a social welfare trend which will broaden and take on new dimensions.

Mr. MORRISON. I want to thank you, Mr. Tarr, for a very excellent presentation. It is helpful to have such valuable information for the use of the committee in this most important legislation.

Our next witness is Mr. Harold McAvoy.

STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT, POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, GROUP LEADERS, AND MAIL EQUIPMENT OPERATORS AND HANDLERS

Mr. McAVOY. Mr. Chairman, and members of this subcommittee on H.R. 2155 and all related retirement bills, for the record my name is Harold McAvoy. I am national president of the Post Office Mail Handlers, Watchmen, Messengers, Group Leaders and Mail Equipment Operators and Handlers. Our national headquarters is located at 900 F Street NW., Washington, D.C. We are members of the AFL-CIO and the Government Employees' Council.

For the record, our national organization fully approves the re-financing of the civil service retirement fund along the lines proposed by the administration.

Our national organization fully endorses that after 30 years of post office service, our people should retire on unreduced annuities regardless of age.

Our national organization fully endorses the elimination of the present financial penalty against retiring employees who decide to set up civil service survivorship annuities for dependents, and last but not least, increasing the existing annuities for our retired employees and their survivors.

It is our national organization's firm conviction that all of the above listed retirement items are long overdue, and we ask you to give speedy and favorable consideration to same.

Thank you, Mr. Chairman, and members of this committee, for the privilege of appearing before you.

Mr. MORRISON. Thank you, Mr. McAvoy.

We will now hear from Mr. John P. Snyder, executive director, National Association of Postmasters of the United States.

STATEMENT OF JOHN P. SNYDER, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

Mr. SNYDER. Mr. Chairman and members of the committee, my name is John P. Snyder, executive director of the National Association of Postmasters of the United States. I am accompanied by Roy M. North, former postmaster at Washington, D.C., our legislative representative.

Our association, which accepts only postmasters and retired postmasters as members, has a total membership of 32,750, of whom 1,709 hold associate membership as retired postmasters. It will thus be seen that 91 percent of the 31,041 active postmasters of the Nation are members of our association.

We endorse all of the provisions of H.R. 2155 et al. The period of marriage qualifications for spouses is more sensibly expressed and 55 percent coverage is provided for survivors.

This act also provides retroactive annuities to the unremarried spouses, heretofore disqualified, of all retired employees who died prior to its approval.

We strongly support section 2 of this bill which repeals subsection (g) of section 9 of the Civil Service Retirement Act relating to reductions of retirement benefits in providing for spouses.

We feel that this is one of the most desirable features of the act.

At this time, our association particularly endorses H.R. 8162 and kindred bills, increasing annuities payable to certain annuitants from the civil service retirement and disability fund.

We do not, however, agree to the seven levels of percentages running from 9 percent where the annuity is \$1,800 or less to 3 percent where the figure is \$3,801 and above.

Furthermore, the seven steps in the percentages would be difficult and costly to compute.

The average annuity today is approximately \$175 a month. President Johnson has stated that a family with a yearly income of \$3,000 and less is as poverty's door. The average annuity is considerably less.

It seems to us that 9 percent for \$3,000 and less and 5 percent for all above would be more equitable.

Some substantial increases in annuities is justified and we deplore the pitiful average annuity of these people who have served their Government diligently and faithfully over many years.

You will probably hear from the Civil Service Commission on the unfunded liability of the civil service retirement fund. We submit that this fund is in no immediate need of reserves and legislation has been introduced to increase the contributions of Government agencies to the fund.

It is said that the recent pay increases to Government personnel will increase the liability of the retirement fund more than \$1 billion.

We see no reason why the meager benefits described in the bills referred to herein should be overlooked.

Mr. Chairman and members of the committee, thanks for the opportunity of making this statement, and we recommend your favorable consideration.

Mr. MORRISON. Thank you, Mr. Snyder.

I have received a letter from Warren Woods, national counsel for the National Association of Alcohol and Tobacco Tax Field Officers, which will be inserted at this point in the record.

(The letter follows:)

WILSON, WOODS & VILLALON,
Washington, D.C., July 24, 1963.

Re H.R. 2155, H.R. 3296, H.R. 5180, and H.R. 6395.

Hon. JAMES H. MORRISON,

Member of Congress.

House Office Building, Washington, D.C.

DEAR CONGRESSMAN MORRISON: As counsel for the National Association of Alcohol and Tobacco Tax Field Officers, I have been directed to advise you, as chairman of the subcommittee of the House Post Office and Civil Service Committee, of the unanimous support of our association for the above House bills, which I understand are identical in text.

The National Association of Alcohol and Tobacco Tax Field Officers is an organization of Federal employees classified as inspectors, investigators, and storekeeper-gagers employed by the Alcohol and Tobacco Tax Division of the Internal Revenue Service. The association has been in existence for more than 40 years. Its members work at distilleries protecting the revenues, investigate violations of the code and inspect the retail and wholesale liquor trade. Members are thus in constant contact with the public and, in the case of investigators, are engaged in a hazardous occupation. Average age of our members is almost 50. Consequently, they are very much interested in the amendment of the Civil Service Retirement Act to provide annuities for surviving spouses without deduction from original annuities, as is proposed by each of the above-referenced bills.

Very truly yours,

WARREN WOODS,
*National Counsel for National Association of Alcohol and Tobacco Tax
Field Officers.*

Mr. MORRISON. The committee will stand adjourned until 10 o'clock tomorrow morning.

CIVIL SERVICE RETIREMENT BENEFITS

THURSDAY, AUGUST 13, 1964

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

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

Mr. MORRISON. The committee will come to order.

The subcommittee this morning will resume hearings on H.R. 2155 and related bills.

Before we have a continuation of the testimony of Mr. Clarence Tarr, president of the National Association of Retired Employees, I would like to call on our distinguished colleague and a member of this committee, a very able member who played such a prominent and outstanding part in the passage of the Federal pay bill, the distinguished gentleman from Arizona, Congressman Udall.

STATEMENT OF HON. MORRIS K. UDALL, REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. UDALL. Thank you, Mr. Chairman. It is a pleasure to appear before this subcommittee, and especially before the very great and distinguished chairman of it, a man who has shown such courage, dedication, and leadership in Federal legislation of the kind that comes before this subcommittee and the full committee.

I was in a committee the other day with a colleague who had a number of constituents there and some of us undertook to tell these constituents what a great man he was. It turned out we took so much time doing it that the bill he had to have out that day didn't get out. I am going to take a leaf from that experience this morning by making my testimony very brief, and I might suggest to some of those proponents of this legislation who are here that they might bear this experience in mind.

The shorter statements we can have and the more concise presentations, the more likelihood there is that at this late stage of the session we will be able to get some badly needed action.

Mr. Chairman, I was scheduled to follow Congressman Olsen in testifying here. I discussed the bills that are before the subcommittee at some length with Congressman Olsen. We are generally in agreement as to what should be done.

I shall simply say that the statement he will deliver later on is one in which I concur. I think that the time has come now that Congress

has adjusted the military pay, we have done what should have been done toward postal and classified pay, the time now is ripe to do something about the 600,000 Federal retirees who have not had necessary adjustments in their annuities.

There are a number of bills before the committee. I shall not go into the details of these different bills. I have enough confidence in this subcommittee and its members that I am sure that a just and fair solution can be sought when you get to the markup stage.

Suffice it to say this morning that I do support very badly needed adjustments in the annuities for the Federal retirees. I particularly support a bill which I have introduced, H.R. 3015, to do something about the so-called forgotten widows.

With that statement, Mr. Chairman, I thank the committee for this opportunity to appear before it.

Mr. MORRISON. We certainly appreciate your very excellent presentation as well as your presence.

We also have with us Mr. E. C. Hallbeck, president, United Federation of Postal Clerks, who has to leave early. His organization will have a convention which will meet in the very near future, and he has asked to testify so he might be able to get away to the convention.

We shall now hear from Mr. Hallbeck and Mr. John F. O'Connor, legislative director.

STATEMENT OF E. C. HALLBECK, PRESIDENT, UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO; ACCOMPANIED BY JOHN F. O'CONNOR, LEGISLATIVE DIRECTOR

Mr. HALLBECK. Thank you, Mr. Chairman. The remarks I would make this morning will be necessarily brief. I didn't know that Mr. O'Connor was going to be able to catch up with me.

Mr. MORRISON. We are always glad to have both of you.

Mr. HALLBECK. I am sure that Mr. O'Connor will indicate our endorsement of the legislation being considered by this subcommittee.

Like some of the others, I have been interested in retirement legislation since about 1940 when I first came to Washington, and I know that there are needed improvements in the retirement law which are long overdue.

Some of the proposals being considered in this hearing are part of the package that needs to be enacted, and I want to express my personal thanks to the chairman and the members of the subcommittee for the time being given to this very worthy subject.

Mr. O'Connor will make our statement and submit something for the record.

Mr. O'CONNOR. Mr. Chairman, I have no intention of reading a statement inasmuch as I am having a little eye trouble, and consequently I would have difficulty in reading it. I would be able to read it but it would not do my eyes any good.

I appreciate the opportunity of appearing before the subcommittee and expressing our endorsement of the legislation being considered by the committee, H.R. 2155, introduced by Congressman Olsen.

I am submitting a statement for the record to further endorse the legislation and drawing attention to some of the inequities which we believe presently exist in the retirement law.

I personally am getting very interested in retirement inasmuch as at the end of this month, at the close of our national convention, I expect to retire from our national organization, having been in rather poor health for the last couple of years. I have decided that discretion is the best thing at the moment.

Mr. MORRISON. If I may interrupt, and I am sure I speak for all the members of the committee—we will sadly miss you. We have enjoyed your wise counsel and your extreme dedication to your work.

We all wish you best of everything and regret very much your leaving. Certainly we wish that the future holds good for you in your retirement and that pleasant things happen to you. They couldn't happen to a nicer fellow.

Mr. O'CONNOR. Thank you, Mr. Chairman. I appreciate your kind sentiments very much.

I have been in the organization work for a great many years, longer than perhaps most people would anticipate by looking at this dark hair of mine, actually some 40 years, and more than 40 years in the postal service.

As I say, I am looking forward to retirement with the hope that my health will improve. Perhaps in a year or so I will have an opportunity to take an active interest in NARCE and the organizations which generally push retirement.

As I say, I desire to make only one or two comments. I do want to express our thoughts that some consideration should be given to H.R. 8162, also introduced by Congressman Olsen. This bill, as all members of the committee recognize, provides a 3 to 9 percent increase for those presently retired, depending on the size of their annuity.

We note that practically everybody is getting an increase of some kind. The House in its wisdom has decided that social security annuitants should receive an increase. There has been an increase for the military and also an increase is in the offing tomorrow morning, when the President signs the legislation, for the Federal postal employees, so I think it might be well that the committee considers the fact that retired persons are also entitled to an increase.

I note in a statement by Mr. Macy, Chairman of the Civil Service Commission, something about welfare, that any further effort to increase benefits to those presently retired might be considered welfare.

Quite honestly I do not agree with him. I do not believe it should be considered welfare. I believe that the Federal Government should at all times have considerable interest in its employees, when they are employed and also when they retire. I think they should be interested in seeing that the employees have enough to live on.

The present retirement average is about \$175 a month for those people who served in the Federal Government. Survivors average somewhere between \$50 and \$80 a month depending upon the law under which they were retired.

I am already talking longer than I intended. However, I did wish to draw your attention to a number of inequities which we feel do exist so far as retired persons are concerned, former employees of the Federal Government.

We appreciate the opportunity of appearing before the committee, and I trust that the committee will report out a bill that will be equitable to everyone concerned.

I recognize the fact that the Congress will not be in session for too long from now so as a consequence it is necessary to hustle this legislation along.

I trust that the committee will have the opportunity to report and the Congress will have an opportunity to pass the legislation.

Thank you for the opportunity of endorsing all of the retirement legislation which you have before you and the bills which are enumerated.

Mr. DANIELS. I am sorry I came in late and did not get the benefit of all of Mr. O'Connor's testimony.

Having heard his final remarks I would say that I am heartily in accord with the sentiments he expressed.

I feel annuitants should receive a fair and equitable increase to meet the increased cost of living.

Thank you, Mr. O'Connor.

Mr. O'CONNOR. Mr. Daniels, you and I have been friends of long standing. You didn't hear my announcement that I am retiring from the organization at the end of this month. I have been in rather poor health for the last couple of years, trouble with my eyes, and I am leaving, so I have perhaps a special sort of interest in retiring.

Mr. DANIELS. I am sorry to hear you are not enjoying good health. I hope that in your retirement you will enjoy every day of the rest of your life and may you live a long life.

Mr. O'CONNOR. Thank you very much.

Mr. MORRISON. Mr. Nix?

Mr. NIX. Thank you, Mr. Chairman.

First I would like to congratulate you on your 40 years of service and express my regret at your retirement.

I want to say this to you: There are not a great number of people who realize that service beyond a man's physical capacity is not a virtue.

Mr. O'CONNOR. Thank you. Perhaps I should have realized that some time before.

Mr. MORRISON. Mr. Barry?

Mr. BARRY. I wish to join my colleagues in paying tribute to your long service in behalf of Government employees, and I wish you good health in the future.

We have your statement and we shall give it thorough review.

Mr. O'CONNOR. Thank you very much.

Mr. BARRY. I appreciate your appearance before the committee.

Mr. MORRISON. Thank you gentlemen.

We shall insert your prepared statement at this point in the record, Mr. O'Connor.

(The statement follows:)

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

Mr. Chairman and members of the subcommittee. For the purpose of identification, I am John F. O'Connor, legislative director of the United Federation of Postal Clerks. Our organization has its national headquarters at 817 14th Street NW., Washington, D.C., and we represent approximately 150,000 post office clerks throughout the country.

First, I would like to express our appreciation to the chairman and the members of the subcommittee for proceeding with this hearing. We also desire to

express our appreciation to the numerous Members of Congress who have introduced bills providing for adjustments in retirement for employees and their dependents.

We believe that H.R. 2155, introduced by Congressman Olsen of Montana is an extremely worthwhile bill, as it does provide a small increase in annuity that might be received by dependents of retired employees, or of employees who die in the Federal service. We believe that it is fitting and proper that the Federal Government recognize the fact that many of employees dependents are presently existing on very small annuities.

Information concerning these annuities is readily available to the committee, and is probably being supplied by the Civil Service Commission. I am certain their figures will indicate that the annuities they receive are extremely small.

We feel that it is not necessary to argue as to the need for this legislation, and feel that the committee will make a favorable report. We are hopeful that the Congress will enact this legislation into law this session.

In connection with this legislation, and inasmuch as I believe it is within the jurisdiction of the committee, I am hopeful that the committee will consider H.R. 8162, or H.R. 9050 and related bills, which were introduced by Congressman Olsen of Montana, a member of the House Post Office and Civil Service Committee. Quite recently Congressman Olsen drew the attention of the House of Representatives to the fact that Federal employees on retirement were being paid a very small amount, and could, in too many instances, be considered a pittance. As a consequence, we feel it would be well if the committee would consider this legislation as well.

We know that this session of Congress is drawing to a close, but there is still time for action on this legislation. We believe that Congressman Olsen, in his discussion before the House of Representatives, offered some worthwhile arguments as to the necessity of this legislation at this time.

We are hopeful that the committee will give consideration to all of the bills mentioned in our testimony today.

Thank you for your consideration.

Mr. MORRISON. At this time we shall digress a moment from the hearing of testimony by witnesses. We have some very distinguished gentlemen here from the Republic of Mali, which is a new country in North Africa. Bamako is the capital of Mali.

We have Bakary Karambe, administrative secretary, Mali Postal Federation and member of the Executive Council of the UNTM, the national trade union center of Mali; Monzon Fame, assistant treasurer of the Postal Federation; Ibrahima Toure, head letter carrier in Bamako, and Tom Altaffer, interpreter and staff representative of the International Federation of Free Trade Unions.

These three trade union leaders from Mali are visiting the United States as guests of the National Association of Letter Carriers, AFL-CIO.

After attending meetings at various national trade union centers, the Congress of the United States, and the Post Office Department in Washington, the group will attend the national convention of the National Association of Letter Carriers, which will be held at Miami Beach, Fla., August 16 through 21.

With them is Congressman Olsen's administrative assistant, Mr. McCarthy. I would appreciate it if you gentlemen would rise.

We are delighted to have you. It is quite an honor to have you visit us and if the interpreter will express our feelings of good wishes and our appreciation of the fact that you have come so far to visit us, we would deeply appreciate it. We welcome you and extend to you all possible courtesy and good wishes.

Mr. KARAMBE (through interpreter). We are very happy to be in the United States. We have been able to see a spirit of fraternity, especially with the trade unionists to whom we have been able to speak

up to now. These contacts have been full of good lessons for us. Our presence in this committee is very precious to us. It indicates the spirit that the American people have for their efforts.

We will try to transmit to our members the esteem and fraternal greetings which have been expressed to us. We appreciate greatly the fraternal aid of the American people to the African people.

We thank you.

Mr. DANIELS. Mr. Chairman, I wish to join with you and the other members of this subcommittee in extending a most cordial welcome to our visitors from Africa, and I do trust that their visit here to America, and their attendance at the convention of the National Association of Letter Carriers will be a very profitable and interesting experience to each and every one of them.

Again welcome to America and I hope you enjoy every moment of your visit here.

Mr. MORRISON. Mr. Nix?

Mr. NIX. Thank you, Mr. Chairman. To our distinguished guests my position is a dual one. Not only do I join with the members of this committee in extending a welcome to you, but as a member of the Foreign Affairs Committee, more particularly the Subcommittee on Africa of the Foreign Affairs Committee, we have a deep and abiding interest in your continent and in your country. For myself I particularly extend a personal welcome to you and wish you well.

Thank you, sir.

Mr. MORRISON. Mr. Barry?

Mr. BARRY. Mr. Nix so eloquently stated his welcome to all of you that I think it would be superfluous to continue. I am also a member of the Foreign Affairs Committee and we have been keenly interested in the African emergence as a modern continent.

I hope that through our combined efforts and the good will which has been built up between our two nations that this will continue and that we will all remember that the most important thing is that your country and ours have revolted against colonialism. We, having done this 150 years ago, hope to be able to assist your country and other African countries in your emergence to a modern society from the colonial domination which you have had, or to whatever kind of society you wish to build in your country. Thank you, Mr. Chairman.

Mr. MORRISON. Thank you, members of the committee.

I would like to add that it has been my good fortune on occasion as chairman of the subcommittee and as an individual Congressman to be in many parts of the world and to be welcomed by people who represent various government agencies from these countries. I have also been fortunate enough to be present with them and to see how they settle their problems and how they go about the development of legislation in the postal and communications field, and in other fields. I have always received a wonderful reception wherever I traveled.

I think the very fact that these gentlemen have come so far and are here with us today means a great deal to this committee, to the Congress, and to the American people. I am certainly most happy that they are here and hope that they will get an insight into our people and will understand better our friendly wishes toward them.

At a date in the near future they will see one of our typical trade union conventions. I know they will enjoy it and profit from the experience.

In behalf of the committee I welcome you here. We hope that your stay in Washington and in the United States will be a pleasant and happy one, and also that it will be fruitful. We ask you to take back the good wishes of this committee to your country and to your people. Thank you so much for coming.

Mr. KARAMBE (through interpreter). Thank you very much, Mr. Chairman.

Mr. MORRISON. We will now continue with the testimony of Mr. Clarence Tarr, president, National Association of Retired Civil Service Employees, and the other gentlemen accompanying him. They did not complete their testimony yesterday.

We would like to ask Mr. Tarr to continue his presentation.

STATEMENT OF CLARENCE M. TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES—Resumed

Mr. TARR. Thank you, Mr. Chairman.

I am accompanied this morning by George L. Nichols, vice president and legislative representative; James O. Bellenger, vice president and associate legislative representative; and John A. Overholt, our legislative counsel. We appear in favor of bills H.R. 3015, by Representative Morris K. Udall; H.R. 3519, by Representative Elmer J. Holland; and H.R. 9930, by Representative Fernand J. St Germain, all three identical bills.

Prior to 1948, there was no simple plan by which a retiring Federal employee could arrange a survivor annuity for his spouse if he passed away first. A simple survivor annuity plan was included in the 1948 revisions to the retirement act, and since that time each retiring employee has had a specific opportunity to name his spouse to receive a survivor annuity. The 1948 act went further and made it possible for each person previously retired to designate his spouse to receive a survivor annuity. Other legislation in 1950 assured an annuity to the surviving spouse of every person retired prior to April 1, 1948, and who was still on the retirement rolls on that date. The only ones left out were the widows of persons who retired and died before April 1, 1948, or died in the service before April 1, 1948.

Ten long years later, under Public Law 85-465, annuities were provided for these "forgotten widows" equal to one-half of the annuities received by their husbands, or one-half of the annuities their husbands would have received under the retirement laws at the time of death. The maximum for any single survivor was fixed at \$750 per annum. Even these meager annuities were a godsend to persons who had no means of income for such a long time.

Unfortunately, there was a limitation that excluded benefits for a few deserving cases—a requirement that to be eligible for the annuity, the widow had to prove that she had been married to the deceased retiree or employee at least 5 years. Perhaps there was some justification for such a limitation in 1948, and there might have been some trace of justification for it in 1958; but it is now 1964. There is now no

justification for withholding benefits from a widow who has remained a widow at least 16 years after her bereavement.

We plead for justice for the few "forgotten widows" who are still "forgotten," and we earnestly request that one of these bills be reported favorably and passed by the Congress.

That concludes our statement, Mr. Chairman. I want to again reiterate what I said yesterday, that we have so many, many retirees and members who are in desperate straits financially, and I want to again thank you, Mr. Chairman, and your fine committee for the wonderful consideration that you have given to our association and our members.

Mr. NICHOLS. I also want to thank you, Mr. Chairman, and the members of the subcommittee.

Mr. MORRISON. Thank you for appearing. Are there any questions?

Mr. BARRY. I am sorry that yesterday a conflicting committee assignment prevented my remaining here, especially during the time you testified, Mr. Tarr.

How many retired civil service employees are there?

Mr. TARR. We have 114,000 members in our association and there are approximately 600,000 retirees and survivors.

Mr. BARRY. Do all of them take their annuities?

Mr. TARR. Yes.

Mr. BARRY. How many survivors are there in relation to retirees?

Mr. TARR. About 65,000.

Mr. BARRY. That number are survivors?

Mr. TARR. Yes.

Mr. BARRY. So the bulk of our retired employees are living today?

Mr. TARR. Yes; and our survivors are very hard hit because their husbands or spouses were retired in years when salaries were low and many are receiving only from \$60 to \$70 to \$80 a month survivor annuity.

Mr. BARRY. Of the 65,000?

Mr. TARR. Yes.

Mr. BARRY. Your purpose here is to do something about that. Would you take the ones who are now getting that amount and increase it or just protect the future so far as survivors are concerned?

Mr. TARR. H.R. 2155 would protect those in the past, and others, also.

Mr. BARRY. I notice you refer to some seven or eight bills which have been introduced and they are more or less the same. You are particularly interested in the ones increasing the amount of the annuity that the widows receive? Are you in favor of the full amount for an annuitant going to the survivors?

Mr. TARR. Up to 55 percent. Prior to October 11, 1962, most of the survivors received 50 percent of the annuity of the retiree. Subsequent to October 11, 1962, they received 55 percent.

We would like for the prior survivors to receive the same—55 percent.

Mr. BARRY. Fifty-five percent of the retiree's annuity?

Mr. TARR. That is right.

Mr. BARRY. Even though that is a low base. You are asking for only 5 percent of a very low base.

Mr. TARR. That is right.

Mr. BARRY. It sounds like a reasonable request, Mr. Chairman.

Mr. MORRISON. Mr. Daniels?

Mr. DANIELS. I have no questions.

Mr. NIX. As to the retroactive feature of the bill, it is completely justifiable, is it not?

Mr. TARR. It is; yes, sir.

Mr. NIX. Thank you, Mr. Chairman.

Mr. BARRY. Could Mr. Nichols give us some idea of how this would affect the retirement fund? Have you any estimate of how this would affect the cost in dollars?

Mr. NICHOLS. To the best of our knowledge, about \$165,000 through the lifetime of these people.

Mr. BARRY. How much would that be each year?

Mr. NICHOLS. It will taper off. The first year it will run \$35 million and taper off to nothing in about 10 to 12 years.

We are losing between 600 to 800 of our members each month through death, and projecting that over the entire group of retirees, which is about five times greater than our membership, you can multiply that by 5 and it will perhaps be about 3,000 to 4,000 a month.

Mr. BARRY. Thank you, Mr. Chairman.

Mr. MORRISON. Thank you very kindly, gentlemen. We appreciate your very excellent testimony and your presentation, and we certainly appreciate your diligence in the fine work you have done.

Mr. TARR. We again thank you.

Mr. MORRISON. The next witness is our distinguished colleague from the great State of Montana, Mr. Arnold Olsen.

He is a very valuable member of the full committee and is the author of one of the primary bills we are considering here today. We would like to hear from you at this time, Mr. Olsen.

STATEMENT OF HON. ARNOLD OLSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

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

I want to thank you and members of your subcommittee for the opportunity of having hearings on these bills. I know time is short and you are crowded in your schedules these days. I know it takes much of your valuable time to come here.

I am strongly in support of H.R. 2155 and the related retirement bills that have been introduced by myself and by our colleagues.

I have two statements that I have submitted for the record on related bills, most especially directed to that bill which would provide annuities for surviving spouses without deductions from original annuities, and of course, to recompute the retirement annuities.

I would ask that these two statements might be made part of the hearing record.

Mr. MORRISON. Without objection, they will be made part of the record.

(The statements referred to follow:)

PREPARED STATEMENTS OF CONGRESSMAN ARNOLD OLSEN, OF MONTANA

Mr. Chairman, my interest concerns Federal retirees who at the time of retirement took large reductions to protect their spouse.

I wish to inform the subcommittee that we find numerous instances of disparities between benefits now received by persons retired at different times with sim-

ilar service and salary records, and under similar circumstances. For example, annuities starting in 1947, 1952, 1957, and 1962 for persons who retired from the same positions with the same amount of creditable service, are now widely different. The present charge for a survivor annuity for persons retired under different laws varies from $2\frac{1}{2}$ to 25 percent.

My bill, H.R. 9050, proposes a recomputation of annuities where more than $2\frac{1}{2}$ percent was deducted at the time of retirement. Similar bills have been introduced by myself and Congresswoman Edith Green, of Oregon. A companion bill in the Senate has been introduced by Senator Maurice Neuberger.

This recomputation would help and be a just correction of disparity affecting around 200,000 of our retirees.

Just why should folks retiring at different times be required to pay such a price for protecting their spouses?

May I remind you social security required no reduction to assured. Why can't we bring all retirees to this same formula now afforded the present Federal worker who retires?

Thank you for allowing me to present this problem that concerns 200,000 of our former Federal workers.

Mr. Chairman, this second statement concerns all bills being heard this morning which would correct and modify or amend present retirement laws to offer encouragement to folks who gave their all in their working days for our Federal Government. I wish to emphatically point out that, because of inflation and disparities in our laws, these folks in the hundreds of thousands are in dire straits.

We have given the current Federal workers prompt and adequate attention. Why have we neglected those who are having such a tough time on such meager annuities as those retiring prior to October 1, 1956?

Let me read extracts from letters from some of these folks:

"I entered the post office service at Utica, N.Y., on Thanksgiving Day 1900. Yes, we then worked 365 days a year (except for 15 days vacation), with Sundays in the office only. There was no 8-hour day and I have worked on exceptionally heavy mail days as much as 12 hours. We then had no relays. One day in 1905 or 1906, I weighed out with a single trip load of 135 pounds.

"I entered the post office service after 1898-99 military service. I retired in 1933 under 'emergency law' due to the depression; \$2,100 per year was our highest pay then and we retired at \$100 per month, less $3\frac{1}{2}$ percent until our 65th birthday, making a net of \$96.50 per month. This was effective for 9 years, until 1942. In 1948, I believe, retirees were granted \$25 per month increase or an annuity of 50 percent or \$50 per month to our spouse. If he or she died survived by the retiree, the \$25 per month is withheld as long as life exists and not a cent ever to reach the annuitant—a rank injustice.

"Our 1933 dollar is worth about half as much today. My check is \$195 now."

"My husband, Carl O. Mittank, died January 13 of this year. Now I would like you to use your influence to get the widow's pension bill passed. I own my own home, a five-room cottage, but only have a social security of \$54 a month to live on. I am 75 years old and would like to live in my home the rest of my days."

"I retired as of January 19, 1953, with over 34 years of service. At the time, it wasn't explained to me that I couldn't later alter the fact that I didn't name my husband for survivor benefits. Is there any possible way to make a change now?"

"How I wish there would have been preretirement counseling classes at the time I retired."

"I was married some 52 years before losing my wife and my present wife is the lady that took care of my wife during her 3 years of sickness, and I sincerely believe she is as much entitled to such protection during her remaining days.

"Losing my wife in 1951, and now having been remarried for the past 6 years, I don't feel such expectation would be any imposition on the retirement fund."

"I am a retired Government employee, and feel that we should have an increase, as the cost of living continues to go up. Also, I am in rather poor health and have quite a drug bill each month, which makes it quite a problem to get along on my annuity.

"Would also appreciate your help in securing passage of the Olsen-Yarborough bills, H.R. 2155 and H.R. 1662, to provide widows with 55-percent survivors annuity without deduction from retirees annuity."

"I was married over 10 years to Lester M. Culler and took care of him 8½ years after a stroke. Am unable to get any part of his annuity because he was retired and named his first wife as beneficiary.

"I might add I was a clerk typist in the War Department during World War I but have no retirement."

We talk about inflation and since 1939 this has moved up more than 70 percent.

Look what we have raised postage on first-class letters. Not long ago we could mail a letter for 4 cents, a short time before that it cost 3 cents, and not too long ago we could mail a letter for 2 cents. What percentage is this? Then, look too at rises of taxes and all the commodities our elderly citizens require and must purchase out of meager incomes, such as housing, food, drugs, and medical care. There was a time not long ago when a hospital room and services cost only \$10 a day. You would be surprised how medical care affects the aged and their meager resources.

I plead for your support in recomputation of annuities in accord with my bill, H.R. 4462, and ask support of my bill H.R. 9050, to help all annuitants.

The time is now. Retirees have been very patient. Would you, after raising our own salaries such a generous amount, stand in the way of this needed help to our former career Government workers.

Thank you, Mr. Chairman.

Mr. OLSEN. I would like to read in full a very short statement. It is unthinkable to me that our retirees—alone among all of our Federal family—will go down in history as "The Forgotten Ones" of the 88th Congress unless we act promptly and vigorously. You and your subcommittee, Mr. Chairman, are to be highly commended for these hearings, the first step to prevent that unwanted blemish on the record of this Congress.

Although I had time only to glance briefly over the fine statement presented here yesterday by Mr. Clarence Tarr, president of the National Association of Retired Civil Employees, in my judgment it stands without peer as a complete, persuasive, and conclusive demonstration of both critical need and justification for major retirement legislation. We know, but we must alert all other Members of Congress, for example, that the small annuity increase granted in 1962 left our retirees and survivors still 9 percent behind the spiraling cost of living.

But there is one more condition which may not be brought out forcibly enough by even our expert NARCE friends. Without intending undue criticism, the provision in the 1962 act for so-called cost-of-living increases does not and will not permit benefit adjustments to fit the need. The Consumer Price Index is based upon and directed to the entire 192 million population. Of this vast number, our elder citizens have an entirely different—and far higher—practical measure of living costs. Many of their principal expenses and necessities—such as medical, dental, and dietary requirements—are in a sphere of our economy where the rise in prices greatly outstrips the average of most of the items considered in the Consumer Price Index.

Therefore, I would submit for your consideration, along with the 9 percent or better proved lag in meeting Consumer Price Index living cost goals, this additional and overruling factor which demands legislative provision for additional benefits supplemental to any provided under the cost of living of the 1962 act.

Mr. Chairman, I earnestly hope that this subcommittee, the full committee, and the Congress enacts legislation before the close of this session to grant annuity increases ranging from 3 percent to 9 percent, as provided in my bill, H.R. 8162, and to provide the very moderate

and desirable liberalization of survivorship benefits contained in H.R. 2155, which I also had the privilege to sponsor.

Thank you very much, Mr. Chairman.

Mr. MORRISON. Mr. Daniels.

Mr. DANIELS. Mr. Chairman, I should like to congratulate my colleague, Mr. Olsen, for a very concise and complete statement on this important piece of legislation. I wholeheartedly agree with you that our retirees are entitled to at least a cost-of-living increase.

Mr. BARRY. Mr. Olsen has rendered long and distinguished service to this committee and to the State he represents. It is a fact that in Montana there are probably fewer retirees than in most of the States in the Nation. So it is a special tribute to you, Mr. Olsen, to take this very active interest in what you, and other members of the committee, regard as a great need and void that should have the attention of the Congress.

Mr. OLSEN. Thank you very much.

Mr. MORRISON. I should like to join with my distinguished colleagues on each side of the aisle and express similar thoughts. I know of no man in Congress who is more dedicated or has done a more splendid job in trying to assist the retirees and to see that they have their problems brought to the attention of Congress through the various bills which he has introduced and by his determination to see that their problems are presented in a proper fashion. I certainly want to join with my colleagues in commending you on your work in behalf of the retirees, not only of your home State, but nationwide.

I think also you should be commended because many of the retirees have individual problems, and it is difficult to understand them and get their problems before us, without someone like you to be most vigorous in sponsoring legislation in their behalf.

If their problems are to be solved, who is there to do it except the Members of Congress? We have the final jurisdiction over their problems. With the multitude of problems each Congressman has, worthy legislation like this is often overlooked. I think your constant diligence to see that they are heard is to be commended. We are very happy to have you here.

Mr. OLSEN. Thank you again, Mr. Chairman and gentlemen, for all those kind words. I want again to commend the committee for taking the time in leading the fight for improvement in retirement annuities and benefits for Federal employees.

I want to close on this note. I have supported the improvements in retirement for those in the armed services. You will recollect we have provided methods for people who are active in the armed services, through retirement to have a second career in the civil service and to obtain dual retirement benefits. I have supported the increases in pay for all Federal employees and the increase in pay for the people in the armed services, and increased retirement for the aged veterans.

I want to urge upon you again that the only people that we have not provided anything for in the 88th Congress are these retirees of the Federal service who have given of their whole life and then retired, or their survivors. They have not received any consideration from us.

Thank you again for this consideration, and I urge upon you to bring out a bill. I will surely join your leadership in fighting it through the full committee and taking it to the floor of the House. Thanks very much.

Mr. MORRISON. The next witness is Mr. Daniel Jaspán, legislative representative, National Association of Postal Supervisors.

**STATEMENT OF DANIEL JASPÁN, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

Mr. JASPÁN. Mr. Chairman and members of the subcommittee, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors, composed of more than 28,000 postal supervisors in all 50 States and in Puerto Rico and the Virgin Islands. Our membership includes supervisors in the motor vehicle and maintenance services.

We appreciate the interest of the chairman of this subcommittee in holding hearings on such important bills. We are also grateful to Congressman Olsen and other Members of Congress who have introduced similar or related bills.

As Chairman Macy of the Civil Service Commission stated so well when he appeared before this subcommittee, "Liberalization of retirement or survivor benefits under the retirement system for the future may be justified from time to time to aid the system in accomplishing one of its major functions—helping to attract and retain competent Government personnel." Throughout private industry, all of the so-called fringe benefits are being stressed more and more. It is important for all of us to know that, upon retirement, there will be some worthwhile benefits.

The Federal retirement system appears to be the only one where deductions are made to provide for survivor benefits. We are deeply grateful to the various Congresses which have liberalized the retirement laws so that the deductions necessary to provide for survivor benefits are considerably less than they had been over the years. However, we feel that it is about time for the Congress to reexamine the retirement laws with the idea of further liberalization.

As all of you are well aware, no deductions are made under the social security laws in order to provide for survivor benefits. The employee not only receives his full annuity, but his wife receives an additional 50 percent as long as the two of them are alive. When the employee dies, if his wife has reached age 62, she receives an annuity equal to 82½ percent of the employee's annuity, as compared with 55 percent under the Civil Service Retirement Act. If she is under age 62, and has children under 18 years of age, her annuity is 75 percent of the employee's amount. Both of these figures are considerably higher than the 55 percent now granted to survivors under the Civil Service Retirement Act.

Although we are in favor of increasing the survivor annuity above the present 55 percent, we feel that the first step necessary is to eliminate the reduction in the principal's annuity in order to provide survivor benefits.

Liberalization of the Retirement Act has been opposed by the various administrations due to the fact that the retirement fund has an excessive "unfunded liability." It should be borne in mind that this unfunded liability is not the fault of the employees. If the Government had lived up to its obligations there would be no unfunded liability. From 1921 until 1928 there were no Government appropriations. As recently as 1954 and 1955, the employees contributed as much as 13

times the amount appropriated by the Congress. It is only since 1956 that the Government contributions have matched the employee contributions.

We feel that it is about time for action on bills such as H.R. 6412 and H.R. 6366 to improve the financing of the civil service retirement system. Every day of delay adds to the unfunded liability which makes it most difficult for any needed liberalization of the Retirement Act. We would like to see one of these bills made a part of any bill reported out by this subcommittee so that we will no longer hear of the possibility of the retirement fund being depleted.

We urge this committee to give consideration to those employees already retired and to their survivors. We believe that the elimination of the deductions from the original annuities in order to provide annuities for surviving spouses should be extended to those already retired and annuities recomputed on that basis.

We also urge this subcommittee to reexamine the annuities received by those now retired with the aim of providing decent annuities for all of these senior citizens who have spent their lives in the Government service. We can understand any reluctance to increase the benefits to those who spent a relatively short time in the Government service, but feel that serious consideration should be given to those who have made the service their major careers.

We hope that the subcommittee, the full committee, and the Congress, will act quickly in order to rectify some serious inequities.

Thank you for the opportunity of presenting our views.

Mr. MORRISON. The next witness the committee would like to hear from is Mr. John Griner, president of the American Federation of Government Employees.

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

Mr. GRINER. Mr. Chairman and members of the committee, for the record, my name is John F. Griner, national president of the American Federation of Government Employees. To my left is Mr. Bill Voss, who is our director of research.

Mr. Chairman, this probably will be the last time I will appear before this committee this year. Of course, I have a convention coming up, and anything can happen there, but I expect to be back again.

Mr. MORRISON. We certainly hope so. You have done a most outstanding job and have been diligent and conscientious at all times, not only as far as this committee is concerned but the entire membership of Congress. You have done everything possible for your organization in a most able way.

Mr. GRINER. Thank you, sir.

I would like to add to this, I think the Federal employees are most fortunate in having a committee in the House of Representatives which is composed of such understanding gentlemen as you and your fellow members, not only of this subcommittee but the committee as a whole. At all times we have found you have been receptive to suggestions and advice that would serve to help the employees, regardless of

whether it was pay, job security, retirement benefits, or whatever it might be. I certainly hope that each and every one of you return.

Mr. Chairman, I have a statement which I wish to file. I do not want to take up too much of the committee's time this morning. I know that time is of the essence.

As I have analyzed this particular piece of legislation—I might say a number of you gentlemen who have introduced this legislation—I find there are possibly two main parts. One is to cover the survivor who has not heretofore been covered. Another is to eliminate the reduction in order to provide an annuity for his spouse.

For 26 years before entering upon the job that I am presently occupying, I was an employee of the Railroad Retirement Board, which of course administers a retirement system for railroad workers. I held a responsible position. Of course, I am very much interested in any retirement legislation because of that background.

I should like to point out to the committee that we have three national retirement systems in this country—social security, railroad retirement, and civil service. It is impossible to compare these retirement systems item for item, but there are some things which are left out of the civil service retirement system which the other two systems do have, to which I think maybe as time goes on we should give further consideration.

In our research in connection with this legislation, we found that at the end of the fiscal year 1963 there were approximately 453,000 former employees of the Federal Government on the retirement rolls. Out of those 453,000, about one-third, or about 124,000, were receiving less than \$100 a month. We found that the average annuity was just over \$175 a month.

You might go a step further and say over 206,000 of them were receiving less than \$150 a month.

With the increased cost of living that we have experienced in the last several years, I think you will agree with me that it is almost an impossibility for a man and his wife, even though he might be retired, to meet the actual necessities of life with an annuity as little as \$100 a month or even \$150 a month. When we consider the fact that the average survivor annuity is only \$67 a month, not even enough to pay for room rent; I think it is high time that we began to do something for these people.

Regardless of what we might say in this country, we are our brother's keepers. Those of us who are fortunate enough to work, to be able to make a reasonable living, must contribute in some manner to assist our fellowman.

Under the other two national retirement systems, you have no reductions due to the fact that you are leaving a part of your annuity to your surviving wife. I endorse that principle 100 percent.

I note there is one difference in the several bills that have been introduced on this subject, and I believe, Mr. Daniels, that was in your bill, H.R. 5180, which includes all of the features of the other bills, except it would limit the survivor annuities to spouse married to retiree at the time of retirement.

Mr. DANIELS (acting chairman). I might say, Mr. Griner, that I am willing to accept the principle incorporated in the other bills to include the spouse who might be married after the date of retirement.

Mr. GRINER. I certainly appreciate that statement, because I was about to say that that was one part of this legislation which we could not endorse, because a man who retires and may be unfortunate enough to lose his wife after retirement and then remarries, certainly has a responsibility to the lady he marries at a later time.

Mr. DANIELS. I not only agree to add this provision—I welcome it.

Mr. GRINER. We certainly appreciate your position.

Mr. Chairman, we realize that retirement benefits cost money. We are in agreement with the Chairman of the Civil Service Commission in one respect, and that is, the legislation which is now before this Congress to increase contributions to the retirement system should be enacted at the very earliest moment. We believe this system should be on a sound and solvent basis. Even though the Federal Government itself is behind the system, the fact that we are, on an actuarial basis, in the hole to the tune of approximately \$35 billion causes unnecessary concern among some of our fellow Members of Congress and among the public.

I have also found that the average employee of the Federal Government who desires a good retirement system, a system that will afford a sufficient amount of money in order to keep up a reasonable standard of living after retirement, does not take exception to the fact that it may be necessary for him to contribute more money to the retirement system, provided, of course, he gets the benefits.

I know at the present time it is too late in this session of Congress to do anything about a permanent system of increase in retirement benefits to those who are already on the rolls, but I hope at the next session of Congress we shall have an opportunity to consider some proposition so the people who are already on the rolls could have their retirement benefits automatically increased in proportion to the increases in pay or cost of living, or whatever basis we might decide on.

I feel at the present time the increases which are now afforded by legislation in effect are inadequate. I would like, also, to point out to you again, in comparison with the other systems that any time the retirement benefits for social security or railroad retirement are increased, it automatically increases all of the people who are on the rolls. New legislation each time is not necessary.

I want to thank you again for the opportunity of appearing before you, and I would like to say this organization wholeheartedly endorses this legislation.

Mr. DANIELS. We are happy to have you here, Mr. Griner. On behalf of the entire committee, I want to express our gratitude for a very constructive statement.

I should like, also, to say Mr. Morrison had a very important appointment at his office. A constituent arrived who is leaving early this afternoon. He would have been only too happy to have remained to hear your complete statement, but he had this important appointment.

Mr. GRINER. We understand. Thank you very much.

(Mr. Griner's prepared statement follows:)

STATEMENT OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

The eight bills which are under consideration by this subcommittee would greatly benefit the husbands or wives of retirees now on the roll as well as those yet to be retired. They would also benefit the retirees themselves. They

are of genuine interest to the AFGE and have our approval in that they would provide a desirable liberalization of the retirement law.

We commend the sponsors of these bills which have been introduced as follows: H.R. 2155, Mr. Olsen; H.R. 3296, Mr. Dulski; H.R. 5180, Mr. Daniels; H.R. 6395, Mr. Broyhill of Virginia; H.R. 6430, Mr. Olsen; H.R. 8335, Mr. St. Onge; H.R. 9758, Mr. O'Konski; and H.R. 10229, Mr. Montoya.

Inasmuch as all eight bills are identical with the exception of one difference in H.R. 5180, our comments will apply to all with appropriate indication of the single difference.

Our approval is given these bills because they would accomplish several important changes in existing law. These important changes, which it is hoped will receive the subcommittee's support, are new or revised survivor spouses' annuity protection for retirees now on the roll and in the future, for employees dying in the service, for employees separated from the service and having title to a deferred annuity, as well as for all retirees who died prior to approval of any of these measures.

We favor legislation which would provide automatic survivor annuity protection for widows and widowers of all retirees on the annuity roll and all retirees added to the roll in the future. As stated in these bills, there would be no reduction in retirement annuity in such cases. Where reduced annuity elections had been made, retirees would have their full single life rates restored as of the date of retirement with intervening increases added. The resulting rates would be paid from the effective date of the new enactment.

The surviving wife or husband of a retired employee or Member of Congress would be eligible to receive the recomputed survivor annuity not only if married prior to retirement but also if marriage took place after retirement and existed for at least 3 years. The annuity would terminate upon the survivor's death or remarriage instead of the last day of the month preceding such occurrence.

Similarly, in the case of an employee or Member, who has established title to an annuity but dies before retirement, the survivor annuity would begin the first day of the first month following the death of the employee or Member of Congress. Termination of the annuity would occur upon death or remarriage of the surviving spouse. Where an employee or Member was separated with title to a deferred annuity and died before establishing a valid claim for annuity, the surviving spouse would benefit not only if marriage took place before separation but occurred at least 3 years preceding death if married after separation.

Section 3 of each of these bills would grant retroactively new or increased survivor annuities to unmarried spouses of retirees who died prior to approval of the proposed legislation. The amount of benefit would depend on the date of retirement and death of the employee or Member. Benefits would be increased according to provisions of the Annuity Increase Acts of 1952, 1955, 1958, and 1962.

The survivor annuities involved in each section of these bills would be equal to 55 percent of the annuity received by the annuitant. The 55-percent portion would be further increased in proportion to the increase of annuities of retirees presently on the roll or of retirees who are deceased.

The bill H.R. 5180 includes the features of the other companion measures except that it would limit survivor annuities to spouses married to retirees at the time of retirement and would not include the spouses acquired after retirement.

Another aspect of retirement legislation to which it is hoped the subcommittee will give attention is devising a continuing method for increasing retirement benefits so as to make certain that retirees already on the pay roll receive not only increases provided for future retirees but that those increases are related to salary and wage increases of Federal employees on active duty. Two other Federal retirement systems—the social security and railroad retirement systems—have historically applied to retirees and survivors the increases provided employees then still in a work status.

We believe the subcommittee should give serious consideration to legislation that would provide this assurance to persons already retired. Such a proposal as that which has been put forward by Congressman Olsen of Montana would give some relief and to that extent would be immediately desirable. However, the even more compelling need is for a continuing method, which will be virtually automatic, to place annuities in some proportionate relation to the need for higher compensation of persons still actively in the labor market.

Another phase of the retirement system which should have immediate attention is the need for funding to protect the actuarial soundness of the retirement fund. The Civil Service Commission has proposed that funding be accomplished by a gradual increase in Government contributions in steps equal to one-half of 1

percent of the Federal payroll. This proposal was formulated in S. 1562 on which the House Post Office and Civil Service Committee held hearings a year ago. At that time the AFGE testified in favor of this method of funding. Action on the proposal is acutely needed. Once such a plan became operative, the retirement fund would be assured of actuarial soundness.

Thank you, Mr. Chairman, for this opportunity to submit our views on these legislative needs.

Mr. DANIELS. Our next witness is Mr. Lester Dorson, president of the Retirement Federation of Civil Service Employees of the U.S. Government.

STATEMENT OF L. C. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE U.S. GOVERNMENT

Mr. DORSON. Mr. Chairman and members of the subcommittee, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees of the U.S. Government, an organization whose membership of approximately 95,000 is comprised almost entirely of active Federal employees.

We are grateful for the interest in the Federal employee of the authors of the bills under consideration and your subcommittee and for the time you are devoting, under most trying circumstances, to this legislation. For the purpose of conserving your time, I shall be brief.

H.R. 2155 and its companions would, as you well know, provide free annuities, on an equal basis, to the surviving spouse of all Federal employees retired or retiring under the Civil Service Retirement Act. Details of the proposals before you, and the need therefor, have been well supplied by preceding witnesses. Therefore, I shall not impose on your time with their repetition. We will be content with urging your most favorable consideration and the early enactment of H.R. 2155.

We are aware that H.R. 2155 carries a "price tag" and do not quarrel with the estimates of the Civil Service Commission with respect thereto. In fact, we share the Commission's concern over the condition of the civil service retirement fund and join in urging, with all the emphasis at our command, your attention to this most vital matter.

Although they are the assignment of another subcommittee, we think it most appropriate and desirable that you consider amending H.R. 2155 by adding the funding proposal, submitted by the administration, set forth in sections 1, 2, and 3 of H.R. 6366 and H.R. 6412.

We appreciate the opportunity you have afforded us to express our views.

Mr. DANIELS. Thank you for your very frank statement, Mr. Dorson.

Mr. DORSON. Thank you, sir.

Mr. DANIELS. Our next witness is Mrs. F. L. McDermott, a member of the National Association of Retired Civil Employees.

**STATEMENT OF MRS. F. L. McDERMOTT, MEMBER, NATIONAL
ASSOCIATION OF RETIRED CIVIL EMPLOYEES**

Mrs. McDERMOTT. Mr. Chairman, I am speaking only in the first person because it is my personal experience following up these various people. It is an experience of having entered the Government when I was 20 years old. I retired in 1953 when I was still getting under \$4,000, which was considered quite good at that time, but I was only 54 years old so, therefore, I lost 18 percent of my retirement, which brought me down to \$139.

The reason I retired is that I had an opportunity to take a RIF, reduction in force, because I have a son who is not too strong and I had to take him out of public school. He is presently in the Occupational Training Center for Retarded Children, which place I have to pay \$50 a month, but with the raises that I have had, I get \$180, of which \$7 is taken out for medical.

So, you see, if I were not married and did not have a good husband who can help support, I would have to go back to the sticks where I came from many years ago. I never had the opportunity, either, to make any provision for my husband which I hope that I will be able in this H.R. 2155.

Also, if we get an opportunity to have this sliding scale of 9, 8, and so on, I would come in at probably about 8 percent, which would be very gratefully received.

Mr. DANIELS. Mrs. McDermott, I am sympathetic to your problem. It is situations like this which the committee would like to know about, to give us a better understanding of the problems of our retirees so we can prepare the necessary legislation. We thank you so much for coming here and giving us the benefit of your information.

Mrs. McDERMOTT. This is a problem which I know that other people have, too. Thank you for hearing me, Mr. Chairman.

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

**STATEMENT OF 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 organization is interested in this legislation and I thank the chairman and the members of the subcommittee for the opportunity given us to express our views.

At its last national convention, the National Federation of Federal Employees adopted the following resolution:

Resolved, That the National Federation of Federal Employees in Phoenix, Ariz., go on record as supporting legislation in favor of amending the present Retirement Act to permit a married employee retiring from the service to provide for his widow or widower without a deduction from his annuity.

We urge the enactment of legislation for the purposes stated in H.R. 2155. Such legislation would remedy a multitude of inequities which now exist under the present Retirement Act as amended. It would permit a married employee to receive the same annuity which is received by an unmarried employee upon retirement where the pertinent facts as to eligibility for an annuity in both cases are the same except for marital status.

While the spouse is still living, the retired employee needs and should be entitled to his full annuity for the support of himself and his spouse. Under the present law, he gets less while both are living in order that the spouse may have a survivor annuity after he dies. If the survivor should die before the retired employee dies, the two of them under the proposed legislation, would have a somewhat larger amount for the support of both while the spouse is still living. Furthermore, the retired employee, if the proposed legislation should be enacted, would not be required when the spouse predeceases him to continue to suffer thereafter a reduction in his own annuity on the theory that such reduction is to provide an annuity for a survivor when there is no survivor.

Larger annuities are justified because the average annuity now is less than \$3,000 per year which is the income below which poverty is said to exist. In order to be above the poverty line, an annuitant would need an annuity of \$250 per month. According to the 1963 Annual Report of the U.S. Civil Service Commission (p. 42), the average monthly annuity for various groups of employees exceeds \$250 for only one group of retirees. In terms of meeting needs and relieving poverty, the retiree needs the additional annuity which represents the deduction now made for a surviving spouse. There is also involved the additional economic factor that these older people will be able to purchase more of the things they actually need, and particularly medicine and services. Their children and relatives in many instances will make correspondingly smaller contributions to these older people and will have that much greater freedom in spending their own money for things they need. Relatively, this may seem a small matter but it represents a step in the direction of boosting the economy and winning the war against poverty in addition to moving in the direction of satisfying the needs—urgent in many cases—of annuitants.

The passage of the proposed legislation would in some measure be reassuring to employees who have enough service to be entitled to an annuity when the closing of installations, reorganization, and the introduction of automation throws them out of their jobs. This is an important consideration. Installations are being closed. Reorganizations are taking place. Automation is being introduced into the Government service at a rapid rate. Many employees may have to retire before they had planned to retire. Many are offered transfers to faraway places to which they cannot go. Many when they are without jobs will have to live on their annuities if they are entitled to annuities and some will have to look forward to reaching the age when they will be entitled to annuities. Most of these employees with many years of Government service will not be able to find jobs in private industry. They are going to be unemployed. The proposed legislation would offer some relief to these people and at the same time

it would make it a little less difficult to effect the reductions in force which are taking place or are imminent.

Although it is not a part of this bill, our organization strongly favors legislation which will permit optional retirement after 30 years of service regardless of age. This, too, would have a salutary effect for both the employees who could retire and for the Government which is seeking to displace them because of automation, reorganization, and closing of installations.

We are not unmindful of the increased cost which would result from the enactment of these legislative proposals. We are deeply concerned about the unfunded liability of the civil service retirement system. The unfunded liability which now stands at about \$35 billion would be increased by these proposals and we believe that legislation should be enacted to remedy the unfunded liability situation. At its last convention, our organization adopted a resolution that Congress enact legislation to provide for increased appropriations to the civil service retirement fund so that such fund may be made actuarially sound. We strongly believe that such legislation should be enacted. The Civil Service Commission has indicated the steps which it thinks should be taken by the Congress to make the retirement fund actuarially sound. Whatever is necessary to be done we think should be done. Money appropriated for this purpose would be for the benefit of citizens of our own country and they would spend the money in our own economy. It would be a contribution to the war on poverty and would be helpful in dealing with the problem of unemployment. After disposition is made of H.R. 2155 it is strongly urged that consideration be given to legislation to remedy the unfunded liability of the retirement system.

Whatever else may be done, Mr. Chairman, we do strongly urge the enactment of legislation along the lines proposed in H.R. 2155.

For this opportunity to present our views, Mr. Chairman and members of the subcommittee, we thank you very much.

Mr. DANIELS. This concludes the testimony before the subcommittee.

I would like to say that the subcommittee will meet shortly to give proper and due consideration to all the testimony given by the various witnesses. We are looking forward hopefully to a meeting of the full committee so we can get some action on this legislation at this session of Congress.

Thank you very much.

The subcommittee stands adjourned.

(Whereupon, at 11:30 a.m., Thursday, August 13, 1964, the subcommittee adjourned.)



