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BILLS TO LIBERALIZE RETIREMENT PROGRAM

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HEARING
BEFORE THE
COMMITTEE ON RETIREMENT

OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 991

A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT TO PROVIDE FOR THE INCLUSION IN THE COMPUTATION OF ACCREDITED SERVICE OF CERTAIN PERIODS OF SERVICE RENDERED STATES OR INSTRUMENTALITIES OF STATES, AND FOR OTHER PURPOSES

S. 2144

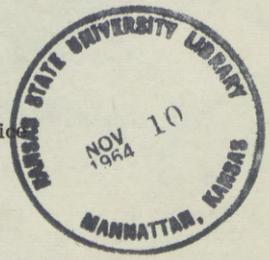
A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT, AS AMENDED, TO PROVIDE FOR THE RECOMPUTATION OF ANNUITIES OF RETIRED EMPLOYEES WHO ELECTED REDUCED ANNUITIES AT THE TIME OF RETIREMENT IN ORDER TO PROVIDE SURVIVOR ANNUITIES FOR THEIR SPOUSES

S. 2184

A BILL TO INCREASE ANNUITIES PAYABLE TO CERTAIN ANNUITANTS FROM THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND

AUGUST 19, 1964

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



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WASHINGTON : 1964

PLANS TO LIBERALIZE RETIREMENT PROGRAM

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HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

OLIN D. JOHNSTON, South Carolina, *Chairman*

- A. S. MIKE MONRONEY, Oklahoma
- RALPH YARBOROUGH, Texas
- JENNINGS RANDOLPH, West Virginia
- GALE W. MCGEE, Wyoming
- DANIEL B. BREWSTER, Maryland
- FRANK CARLSON, Kansas
- HIRAM L. FONG, Hawaii
- J. CALEB BOGGS, Delaware

WILLIAM P. GULLEDGE, *Staff Director and Counsel*

A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT TO

SUBCOMMITTEE ON RETIREMENT

- GALE W. MCGEE, Wyoming, *Chairman*
- JENNINGS RANDOLPH, West Virginia
- DANIEL B. BREWSTER, Maryland
- HIRAM L. FONG, Hawaii
- J. CALEB BOGGS, Delaware

II

A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT AS AMENDED TO PROVIDE FOR THE COMPLETION OF ANNUAL RETIREMENT APPLICATIONS BY EMPLOYEES WHOSE RETIREMENT APPLICATIONS ARE NOT COMPLETED AT THE TIME OF RETIREMENT IN ORDER TO PROVIDE EMPLOYEES WITH THE SAME RIGHTS AND BENEFITS AS EMPLOYEES WHOSE RETIREMENT APPLICATIONS ARE COMPLETED AT THE TIME OF RETIREMENT.

S. 2181

A BILL TO INCREASE ANNUAL PAYABLE TO CERTAIN EMPLOYEES FROM THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND.

AUGUST 19, 1964



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

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BILLS TO LIBERALIZE RETIREMENT PROGRAM

WEDNESDAY, AUGUST 19, 1964

U.S. SENATE,
SUBCOMMITTEE ON RETIREMENT,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:15 a.m. pursuant to notice, in room 6202, New Senate Office Building, Senator Gale W. McGee (chairman of the subcommittee) presiding.

Present: Senators Johnston and McGee.

Staff members present: William Gullledge, staff director and counsel; Richard G. Fuller, professional staff member; David Minton, staff member; and Frank Paschal, minority clerk.

Senator McGEE. The committee will come to order.

This hearing is convened after due public notice so that the Retirement Subcommittee may hear testimony on three retirement bills—S. 2144, S. 991, and S. 2184.

We will include the bills in the record at this point.

(The bills are as follows:)

[S. 991, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Civil Service Retirement Act is amended by adding at the end thereof the following new subsection:

“(k) Subject to the conditions contained in this subsection, there shall be included, in determining for the purposes of this Act the aggregate period of service rendered by an officer or employee of the United States Government or the municipal government of the District of Columbia who is serving in a position within the purview of this Act at the time of his retirement or death, all periods of service rendered by him as an employee of a State, or any instrumentality thereof, exclusively or primarily in the carrying out of—

“(1) the program of State rural rehabilitation corporation created for the purpose of handling rural relief funds for which were made available by the Federal Emergency Relief Act of 1933 (48 Stat. 55), the Act of February 15, 1934 (48 Stat. 351), and the Emergency Appropriation Act, fiscal year 1935 (48 Stat. 1055), and any laws or parts of law amendatory of, or supplementary to, such Acts;

“(2) the Federal-State cooperative program of agricultural experiment stations research and investigation authorized by the Act of March 2, 1887, as amended and supplemented (7 U.S.C., ch. 14);

“(3) the Federal-State cooperative program of vocational education authorized by the Act of February 23, 1917, as amended and supplemented (20 U.S.C., ch. 2);

“(4) the Federal-State cooperative program of agricultural extension work authorized by the Act of May 8, 1914, as amended and supplemented (7 U.S.C., secs. 341-348);

LIBERALIZE RETIREMENT PROGRAM

"(5) the Federal-State cooperative program of forest and watershed protection authorized by section 2 of the Act of March 1, 1911 (16 U.S.C., sec. 563), and by the Act of June 7, 1924, as amended and supplemented (16 U.S.C. secs. 564-568b) ;

"(6) the Federal-State cooperative program for the control of plant pests and animal diseases authorized by the provisions of law set forth in chapters 7 and 8 of title 7 and in section 114a of title 21 of the United States Code.

The period of any service specified in this subsection shall be included in computing length of service for the purposes of this Act of any officer or employee only upon compliance with the following conditions :

"(A) the performance of such service is certified, in a form prescribed by the Civil Service Commission, by the head, or by a person designated by the head, of the department, agency, or independent establishment in the executive branch of the Government of the United States which administers the provisions of law authorizing the performance of such service ;

"(B) the officer or employee shall have to his credit a total period of not less than five years of allowable service under this Act, exclusive of service allowed by this subsection ;

"(C) the officer or employee shall have deposited with interest at 4 per centum per annum to December 31, 1947, and 3 per centum per annum thereafter, compounded on December 31 of each year, to the credit of the civil service retirement and disability fund a sum equal to the aggregate of the amounts which would have been deducted from his basic salary, pay, compensation during the period of service claimed under this subsection if during such period he had been subject to this Act ;

"(D) such period of service is excluded from credit for the purposes of any annuity received by such officer or employee from a State.

As used in this subsection the term 'State' includes Alaska, Hawaii, and Puerto Rico."

SEC. 2. The annuity of any person who shall have performed service described in subsection (k) of section 3 of the Civil Service Retirement Act and who on or after June 30, 1954, and before the date of enactment of this Act shall have been retired on annuity under the provisions of the Act of May 22, 1920, as amended, section 8(a) of the Act of June 16, 1933, or the Act of May 29, 1930, as amended, shall, upon application filed by such person within one year after the date of enactment of this Act and compliance with the conditions prescribed by such subsection (k), be adjusted, effective as of the first day of the month following the date of enactment of this Act, so that the amount of such annuity will be the same as if such subsection (k) had been in effect at the time of such person's retirement.

[S. 2144, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act, as amended, to provide for the recomputation of annuities of retired employees who elected reduced annuities at the time of retirement in order to provide survivor annuities for their spouses

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the annuity of each retired employee who retired prior to October 11, 1962, and who elected a reduction in his annuity to provide a survivor annuity for his spouse, shall be recomputed under the formula enacted in section 1103 of Public Law 87-793, applicable to annuities of employees who retired on and after October 11, 1962.

SEC. 2. Notwithstanding any other provision of law, the benefits provided by this Act shall be paid from the civil service retirement and disability fund.

SEC. 3. This Act shall be effective on the first day of January 1964.

[S. 2184, 88th Cong., 1st sess.]

A BILL To increase annuities payable to certain annuitants from the civil service retirement and disability fund

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) each annuity payable from the civil service retirement and disability fund having a commencing date on or before the

effective date of this Act shall be increased, effective on the first day of the second month following enactment of this Act, in accordance with the following schedule:

If the annuity is	The annuity shall be increased by:
\$1,800 or less.....	9 per centum.
\$1,801 to \$2,200.....	8 per centum.
\$2,201 to \$2,600.....	7 per centum.
\$2,601 to \$3,000.....	6 per centum.
\$3,001 to \$3,400.....	5 per centum.
\$3,401 to \$3,800.....	4 per centum.
\$3,801 and above.....	3 per centum.

(b) The annuity of a survivor of any retired employee or Member of Congress who received an increase under this Act shall be increased from its commencing date by a percentage equal to the percentage by which the annuity of such retired employee or Member was so increased.

(c) The increases authorized by this Act shall be in addition to any other increases provided by existing law.

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

(e) The monthly installment of annuity after adjustment under this Act shall be fixed at the nearest dollar.

(f) The provisions under the heading "Civil Service Retirement and Disability Fund" in title I of the Independent Offices Appropriation Act, 1959 (72 Stat. 1064; Public Law 85-844), shall not apply with respect to benefits resulting from the enactment of this Act.

Senator McGEE. S. 2144, introduced by Senator Neuberger, would provide for the recomputation of the annuities of retired employees who elected reduced annuities at the time of retirement in order to provide survivor annuities for their spouses.

S. 991, introduced by Senator Johnston, would provide for the inclusion of the computation of accredited service of certain periods of service rendered States or instrumentalities of States.

S. 2184, introduced by Senator Yarborough, would increase the annuities payable to certain annuitants from the civil service retirement and disability fund.

The subcommittee is anxious to receive full and complete testimony from all of our witnesses. We are also facing a very pressing deadline, and consequently, as we make the record we can put your full statements in the record so that we have written as strong a committee hearing record as possible. In cases where it is possible to do so it would be a service to this subcommittee if your statements might be reduced orally and if it is convenient for you we will print your full testimony as though delivered and be grateful for whatever more abbreviated statements you might make for our benefit here at this time.

Mr. Chairman, would you care to say something at the opening of this hearing?

The CHAIRMAN. Chairman McGee, I am certainly glad to have the privilege of being here at this hearing because I am for the three bills that are now pending and will do everything that I can as chairman to expedite them.

I was glad to hear the chairman of the subcommittee make the statement that each one of you may present your case, cover all the principals points, but be as brief as possible in doing so for our time is very limited, as you know. If we prolong the hearing we may spoil the possibilities of passing this legislation this year.

So, you are in good hands. Chairman McGee is very sympathetic to this legislation and he will be glad to hear your testimony and then we will expedite the bills as quickly as possible.

I cannot stay with you as I have many other things to do, but my heart and soul will be with you although I will not be present here.

Thank you very much.

Senator MCGEE. Thank you, Mr. Chairman.

Our first witness this morning is Senator Neuberger from Oregon. Senator, you may proceed in any way you see fit.

**STATEMENT OF HON. MAURINE B. NEUBERGER, A U.S. SENATOR
FROM THE STATE OF OREGON**

Senator NEUBERGER. Mr. Chairman, I will take your admonition quite seriously and try to set an example.

Senator MCGEE. This does not apply to Senators because they may make it reciprocal later on some time.

Senator NEUBERGER. I have the same call to the floor that you and Senator Johnston do, and I am very interested in the deadline and I am more interested in getting the legislation passed than I am in reiterating my views which I think are pretty well known, but I would like to summarize what you have said about this bill which would provide for the recomputation of annuities of retired employees who elected reduced annuities at the time of retirement to provide for survivorship benefits.

Mr. Chairman, Congress in 1962 in Public Law 87-793, the Postal and Federal Salary Act, wisely liberalized survivorship costs for future retirees. Under the terms of this law a Federal employee can provide survivorship benefits by having the annuity reduced by 2½ percent of the first \$3,600 and 10 percent of any amount in excess of this sum. The survivor would be entitled to 55 percent of basic annuity. This provision, however, is applicable only to those who have retired after October 10, 1962, and elected survivorship benefits.

As your subcommittee well knows, a vast and complicated pattern of annuity reductions applies to those who have retired before the October 10, 1962, date, and the cost of providing survivorship benefits is vastly higher than that given by the 1962 law for future retirees.

This bill we are discussing proposes a recomputation of annuities to base the cost for all survivorship benefits on the 1962 formula. This recomputation would help and would be a just correction of a disparity affecting some 200,000 of our retirees. Why should people retiring at different times be forced to pay such a varying price to protect their survivors? Under different retirement laws the cost of survivorship protection runs up to 25 percent, depending on the date of retirement.

My bill provides a uniform basis of figuring survivorship benefits for all retirees who have elected such benefits. It would apply the formula contained in Public Law 87-793. This is a wise one, and should be made applicable to all.

I have two other bills that I sponsored to benefit retired Federal employees and I think I would like to just ask that my comments on that be included in the record at this point.

My bill, S. 2680, provides for a 5-percent annuity increase for those who retired prior to January 1, 1963. In my opinion the 5-percent annuity increase voted by Congress in 1962 was inadequate. Inflation is the greatest enemy of retired employees of the Federal Government and their dependents and survivors, who are attempting to live on meager retirement annuities. The 5-percent increase effective January 1, 1963, was only half enough to make ends met. An analysis of cost-of-living figures since 1956 will show that only one-half of the gap was covered by annuity increases.

I am pleased that Congress in 1962 provided for an automatic annuity increase system, dependent on increases in the cost of living, but it is my contention that the 5-percent annuity increase then voted was not adequate. My bill would retain the cost-of-living adjustment procedure and provide a blanket increase in annuity benefits of 5 percent.

Congress has just completed enacting substantial salary increase legislation for active Federal employees. Last year and this year it enacted pay increases for members of the Armed Forces. It seems inconceivable that Congress will omit increased benefits for retired Federal employees after considering favorably the needs of the other members of the Federal family.

Mr. Chairman, I earnestly urge the subcommittee to consider favorable annuity increase legislation this year.

Mr. Chairman, the last bill I wish to discuss is S. 1058, which would liberalize the survivorship provisions under the retirement system. One of the serious weaknesses of the survivorship program is that when a person retires with a reduced annuity with a survivorship annuity provision, the survivorship provision covers only benefits for the spouse living at the time of retirement. If this spouse should die prior to the death of the annuitant, there is no way in which survivorship benefits, under present law, can be extended to a new husband or wife.

This is indeed cruel, and creates extreme hardship in many cases. I have received heart-rending letters from all parts of the country pointing out this hardship situation.

Mr. Chairman, S. 1058 would alleviate this hardship by providing that an annuitant retired on a reduced annuity with a survivor annuity may, in the event of death or divorce of his spouse and remarriage continuing for at least 2 years, designate the second wife or husband to receive survivor annuity benefits. I realized that more liberal bills have been introduced previously, and while they have merit they have failed of enactment. I am aware that my bill is more restrictive, but because of the reduced cost involved I am hopeful that it will stand a good chance of favorable consideration.

Other governmental retirement laws such as social security and railroad retirement do provide adequately for survivorship, without the restrictions imposed by the civil service retirement system. It is my hope that Congress will give favorable consideration to liberalizing the survivorship provisions along the lines which exist in social security and railroad retirement.

I would like to say as a member of the President's Commission on the Status of Women we studied this from the standpoint of the survivor rather than the Government employee and a good deal of interesting testimony was brought forth from various witnesses and a study and our working with the Civil Service Commission and the Social Secu-

city department, that the present civil service survivor provisions are unduly restrictive and they primarily cause grievous injury to widows who are often left destitute in old age, and I ask Congress to think of these survivors and to extend simple justice to our retired Federal employees by liberalizing the survivorship provisions.

Thank you very much for the opportunity to appear.

Senator McGEE. Thank you very much for your contribution, Senator.

I think we will defer the questions until further along in the deliberations.

Thank you very much.

There are two Senators who are interested in parts of this legislation and I think perhaps at this point we will insert their statements, one by Senator John Stennis of Mississippi who is submitting a statement in support of S. 991, and another statement from Senator Ralph Yarborough of Texas.

Senator Yarborough is the sponsor of one of the bills, S. 2184, which is being considered here this morning. He is also the sponsor of other bills regarding civil service retirement which would liberalize the act. S. 1661 would credit accumulated sick leave to retirement or allow reimbursement for such accumulated leave at the time of retirement. S. 1662 would provide survivor annuities without a reduction from the employee's basic annuity. Both of these bills are pending before this subcommittee; and, if time permits, I hope the subcommittee can get to them before Congress adjourns. Senator Yarborough is unavoidably absent this morning, but I am sure all of you know he has an exemplary record in supporting legislation for the benefit of Federal employees.

(The statements are as follows:)

STATEMENT OF HON. JOHN STENNIS, A U.S. SENATOR FROM THE STATE OF MISSISSIPPI

I wish to thank my colleague from South Carolina for his interest in and support of this legislation, and I especially appreciate having the opportunity of presenting testimony to this committee in behalf of S. 991. It was my privilege to testify in 1955 in support of a similar measure that was passed by Congress. I regret that it was vetoed at that time.

I understand that there are about 6,000 individuals, located in every State of the Union, who might benefit from this bill should it become law. Most of these were employed between 1933 and 1938 by agencies now in the Department of Agriculture. They were recruited to fill important technical, scientific, and administrative positions in carrying on the functions now assumed by the Soil Conservation Service, Farmers Home Administration, Farm Credit Administration, and the Extension Service.

I believe that the Civil Service Commission made a constructive move in 1938 when it authorized retirement credit for certain employees in the State and county agricultural extension service who later entered the Federal classified service. S. 991 extends this same right to those now in the Federal service who have had similar types of Federal-State service.

In addition to correcting this apparent inequity, it will also enable the responsible Federal agencies to recruit badly needed scientists and professional personnel from these Federal-State programs. It is understood that on numerous occasions offers of employment to these Federal-State employees have been declined because of loss of their State retirement. This legislation will remove this obstacle to the recruitment of these critically needed personnel.

I have heard that those opposed to this legislation say that it would constitute an improper use of Federal funds to allow this retirement credit. May I point out that Federal funds are now used to pay a proportionate part of the em-

employer's State retirement for Federal-State employees. Also, the Senate Appropriations Committee this year included an additional \$1,250,000 for use by the State experiment stations to make salary adjustments to their research employees who are paid in part from Federal funds, comparable to pay raises granted to Federal employees under the Federal Pay Act of 1962. The Agriculture Appropriations Act for 1964 included an identical sum for this purpose.

We are now in a period when technological developments mean a great deal to our Nation. It is important for us to utilize our scientific and professional personnel to the best advantage. I believe that this legislation will be a constructive step in bringing about changes in the retirement policies of States so that this technical competence can be more fully utilized where it is most needed. It will establish a precedent which will no doubt be followed by the States in providing for more uniform methods of transfer of retirement credits and other fringe benefits.

Mr. Chairman, may I urge this committee to give favorable consideration to S. 991. As I have mentioned in a recent letter to my friend and colleague, Senator Johnston from South Carolina, I shall be glad to assist him in any way possible toward getting this legislation favorably considered in the Senate.

STATEMENT OF HON. RALPH W. YARBOROUGH, A U.S. SENATOR FROM THE STATE OF TEXAS

Mr. Chairman, statistics show that as of June 30, 1963, out of 453,000 civil service employee annuitants, 124,000 were receiving less than \$100 per month and 289,000 were drawing below \$200 per month. At the same time, with a total of 190,000 civil service survivor annuitants, we were paying less than \$100 per month to 153,000 and less than \$200 per month to 186,000, or almost the entire group. (This latter group includes about 40,000 children, who are limited by law to not more than \$100 per month.)

The situation evidenced by this recital of statistics is saddening to me, Mr. Chairman. Retirement should be a happy time of life, a time when a person is free to turn to the things he has always wanted to do but has never had time for before. On \$100 per month an elderly couple is pretty much limited to figuring out how to keep fed, clothed, and housed. Nothing is left over for fulfilling lifelong dreams of a happy, secure retirement. I received a phone call yesterday from a lady trying to live on a civil service annuity of \$67 per month. How sad and wrong it is that \$67 a month is all she has to show for a lifetime of toil.

The Council of Economic Advisers, defining a poor family as one with an income below \$3,000 per year, finds that one-third of all poor families are headed by a person over 65, and almost one-half of the families headed by such a person are poor. The Congress of the United States has recently declared war on poverty. If this campaign is to be successful we must proceed on as many fronts as possible.

S. 2184 provides increases in annuities ranging from 3 to 9 percent, the greater percentage increases to go to those with the smaller annuities.

The Bureau of the Budget objects to S. 2184 on the ground that the bill "would destroy the essential relationship between the annuity as earned at time of retirement and the employee's salary and service by which the annuity was earned." This so-called "essential relationship" is an unwarranted notion, Mr. Chairman.

I cannot agree with the argument that the Government's share of the annuity fund should be fixed and immutable. Quite the contrary, the Government's share should be determined as good sense dictates, not by some mystical notion of "essential relationship."

As the Bureau of the Budget points out, Public Law 87-793, enacted in 1962, provided a basic increase in annuities plus a plan to adjust annuity payments from time to time to account for increases in consumer prices. The periodic adjustment plan is a wise measure, and would not be affected by this legislation. The problem with which S. 2184 is intended to deal is the basic level of annuity payments, which is too low. That this situation has not been cleared up by the 1962 legislation is indicated by the statistics which I cited at the beginning. These figures reflect the 1962 increases, and yet 27 percent of employee annuitants

and 80 percent of survivor annuitants are still receiving less than \$100 per month. Obviously the 1962 increases were not enough.

The need for this legislation is quite obvious, Mr. Chairman. Congress should not delay for another moment the enactment of this legislation, which would ease some of the hardships which so many of our elderly citizens encounter in trying to live out their retirement years on meager annuities.

Senator McGEE. I have been handed a statement by Senator Frank E. Moss, of Utah, that he presented to the House Post Office and Civil Service Committee on the subject of annuities to retired employees of the Government. I will place it in the record at this point.

(The statement is as follows:)

STATEMENT OF HON. FRANK E. MOSS, A U.S. SENATOR FROM THE STATE OF UTAH, BEFORE THE CIVIL SERVICE SUBCOMMITTEE, HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE, AUGUST 12, 1964

Mr. Chairman, I have asked to be heard because I feel we are not giving a fair deal to the civil service retiree and his survivors. I have long been concerned about the welfare of this group of our citizens, but my interest has been heightened by my contacts with George Nichols, vice president of the National Association of Retired Civil Employees. He has told me a great deal about the many facets of the work NARCE does as a nonprofit service organization, and I have become one of its strong admirers.

Presently the organization has more than 114,000 members, and is the working voice for more than 600,000 former Government career workers.

I support legislation which will give civil service retirees an annuity increase. I believe we should do something to help now. We should not wait until next session. We have helped ourselves, the present Federal worker, and all members of the armed services.

Civil service retirees did not receive all they were entitled to in the 87th Congress. They asked for a 10-percent increase to offset the effects of inflation, but we, the Congress, gave them only 5 percent. Had we given them 10 percent we would only have begun to recompense them for what inflation has done to their retirement income.

It is true that there are some retirees of recent years who have fared well under our more recent retirement laws. But thousands of our retirees left Government service years ago when salaries were much lower and under a less liberal retirement formula.

You will be given many facts and figures today by those who testify before you. But there is one thing I would like to make clear—inflation has hurt all fixed incomes and fixed annuities. The depreciated dollar continually buys less services and material things. The June 30, 1963, Civil Service report indicates 187,982 persons were on the rolls at that time who retired prior to 1956, when the Retirement Act was liberalized. These people receive smaller annuities by far than those retiring under present law. Also, may I remind you, those retiring since October 1, 1956, have received only one 5-percent increase. Since October 1956 the cost of living has gone 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.

But we should correct, 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 express my views.

Senator McGEE. The next witness is the Honorable John W. Macy, Chairman of the Civil Service Commission.

You may proceed, Mr. Macy.

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

Mr. MACY. Mr. Chairman, thank you very much. I am accompanied this morning as I have been in providing testimony on retirement and insurance in the past, by Andrew Ruddock, the Director of the Commission's Bureau of Retirement and Insurance.

The three bills you have before you deal with three different facets of the Federal retirement system for which the Civil Service Commission exercises stewardship. I will endeavor to follow your suggestion of brevity, although I must confess that the position I am about to take would be one that might dictate as much consumption of time as possible in order to fill the gap between now and adjournment. But certainly it would not be my intent to exercise such tactics—the executive branch is immune from such tactics, as you know.

Senator McGEE. As long as you are going to oppose my position, the shorter the better. [Laughter.]

Mr. MACY. That was my assumption.

Mr. Chairman, if I may, let me proceed in the numerical order of these bills by taking up first S. 991. I have a statement with respect to this bill which I will place in the record and in the interest of conserving time I will speak briefly from my statement in order to highlight the factors that are involved.

(The statement of Chairman Macy regarding S. 991 follows:)

STATEMENT OF JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE COMMISSION, ON S. 991

Mr. Chairman and members of the subcommittee, I am pleased at this time to appear in connection with your consideration of S. 991, which proposes to accord Civil Service Retirement Act credit for certain service performed as an employee of a State or State instrumentality where Federal funds are involved. Of the numerous programs in which the Government makes direct payments to States under cooperative arrangements, this bill selects six wherein employment would be credited. My letter of June 23, 1964, fully sets forth the Commission's position regarding this proposal.

S. 991 falls in an area which has caused successive Commissioners much concern in the past several years. They have noted the steadily increasing and concerted effort being made to change the fundamental concept of the Government's civilian retirement system. This system was created exclusively for the retirement of Federal and District of Columbia employees. It was designed to provide retirement benefits as postemployment recognition for faithful service to the United States as an employer. The system's effectiveness as a personnel management instrument would be practically destroyed if persons were able to spend most of their careers in non-Federal employment, secure in the knowledge that later Government service of as little as 5 years would result in assumption by the Federal Government of responsibility for retirement income based on all their service.

The United States fully meets its obligations to the individual who chooses it as an employer for only a part of his career. Five years of Federal civilian service vests in the worker a right to old-age retirement protection commensurate with the service performed. That an individual should wish more is a quite natural reaction. But there is no practical limit to which such proposals might extend. Employees of independent contractors constructing buildings or producing goods for the Government could as reasonably point out that their labor constitutes a service equally deserving of consideration.

In line with its consistent position in the past to protect the integrity of the retirement system and to not concur in crediting non-Federal service under the

Civil Service Retirement Act, the Commission firmly opposes enactment of S. 991. In other words, we oppose any proposal which departs from the concept that retirement credit is proper only where the employer-employee relationship existed between the Government and the individual.

In 1955 the 84th Congress approved a bill substantially similar to S. 991. Presidential veto at that time averted action to change the basic approach of the Government's retirement system. However, a breach in the system was effected in July 1960. Although the Commission offered strong adverse recommendations, Congress, over the President's veto, accorded retirement, life insurance, and health benefits coverage and credit to non-Federal employees of the Agricultural Stabilization and Conservation County Committees. The Commission now hopes that this approach will not be carried further by favorable consideration of S. 991, or by any similar proposal.

The facts needed for any nearly accurate estimate of the cost of a proposal of this sort have never been developed. During consideration of the legislation vetoed in 1955, we were advised by the Department of Agriculture that, of the 6 programs involved, the 5 programs within that Department's sphere of activities could involve 42,000 present and former State employees who would have State service potentially creditable. This total potential would of course not have been realized, but would have been limited to those persons who had already entered, or would later enter, the Federal service. One of the proponents of this legislation, the Organization of Professional Employees of the Department of Agriculture, has in recent years presented testimony in support of various bills on the subject to the effect that only 5,000 or 6,000 employees would be involved; the organization's 1961 testimony included an estimate that the average employee moving from State to Federal employment would bring with him 5 years of State service.

Assuming for estimating purposes a 5-year State service period with a presumed \$5,000 average salary at that time, and assuming further that the average affected employee will retire (under existing law provisions) from Federal employment at age 62 with a high-five salary of \$10,000, we estimate the inclusion of his State service will increase the cost to the Government of annuity in his case by approximately \$10,000; this takes into consideration the sum he is required to contribute to the retirement fund to cover the State employment. Multiplying this figure by 5,500 employees produces an estimated total Government cost of \$55 million, by which amount the actuarial deficit would be immediately increased. We believe this estimate figure is extremely conservative.

I repeat, the Commission opposes enactment of S. 991 as an inappropriate and expensive departure from the basic principles of the Civil Service Retirement Act.

Mr. MACY. This bill calls for the crediting of certain service performed as an employee of in-State or State instrumentality where Federal funds are involved. It calls for crediting such service in six different programs which involve funds of the Federal Government.

In my letter to the committee, Mr. Chairman, of June 23, 1964, I set forth in some detail the Commission's position in opposing this legislation. It would be my suggestion, sir, that perhaps you may wish to include that more complete analysis in the records of this hearing along with the Bureau of the Budget report.

Senator MCGEE. These will be included in the record at this point.
(The communications follow:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 23, 1964.

HON. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate.

DEAR MR. CHAIRMAN: This refers further to your request of March 7, 1963, for Commission report on S. 991, a bill to amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes.

S. 991 proposes to allow credit under the Civil Service Retirement Act for certain service as an employee of a State (including Puerto Rico) or any instrumentality thereof, if such service was performed exclusively or primarily in the following areas:

1. Rural rehabilitation.
2. Agricultural experiment station employment.
3. Vocational education.
4. Agricultural extension work.
5. Forest and watershed protection.
6. Plant pest and animal disease control.

The proposed credit would operate in cases of employees retiring after the bill's enactment as well as to certain annuitants already on the retired list, meeting specified conditions as follows:

Employees must (a) be serving subject to the Retirement Act at retirement or death; (b) have completed at least 5 years of other creditable service; (c) have deposited, with interest, the percentage retirement deductions applicable to the State service; and (d) have had the State service excluded from credit for purposes of any State annuity received.

Annuitants must (a) have retired on or after June 30, 1954, and before the enactment date of the bill; (b) apply for the State service credit within 1 year following such enactment date; (c) deposit, with interest, the percentage retirement deductions applicable to the State service; and (d) have the State service excluded from credit for purposes of any State annuity received.

In each instance, credit would be permitted only for such periods of described service as were performed prior to final employment under the Retirement Act. The adjusted benefit rates of annuitants, after inclusion of added service, would be effective from the first of the month following enactment of the bill.

The United States can and does use at least three different methods to carry out its functions. It may (1) do all or part of the job itself using Federal employees; (2) contract to have all or part of a job done by an outside organization, in which case employees of the contractor do the work; or (3) furnish funds to States or other outside agencies to foster or develop programs in which it has an interest.

Examples of the third method are the Federal grants, loans, and other aids afforded the several States and their instrumentalities in the development of such varied programs as agriculture, public roads, education, social service, relief, etc. Although Federal funds are used, these programs are essentially State functions. Employees engaged in their administration are selected, employed, and supervised by the States and State instrumentalities. The fact that some portion of their salaries is paid from funds originally appropriated by Congress to aid State functions which will ultimately promote the general welfare does not distinguish them from other State employees. They are not Federal employees in any sense.

Method (3) describes the type of employment this bill seeks to credit under the Retirement Act. Out of some 80-odd known Federal-State programs, the bill designates 6 wherein the State or State instrumentality service would be credited under the Retirement Act. The effect of the bill, if enacted, may thus be summarized as authorizing Federal retirement pay for non-Federal service on a selective and discriminatory basis.

The Commission opposes enactment of S. 991, just as it has consistently declined to concur in other past legislative proposals to credit non-Federal service under the Retirement Act even though the employment was paid for wholly or partly from Federal funds.

As an integral part of the Government's personnel program, the retirement system is designed exclusively for the retirement of Federal and District of Columbia employees to provide benefits in the nature of an award for faithful service received by the United States. This guiding concept must be held firm if the retirement system is to remain a Federal staff plan and an effective instrument of personnel management. The system's effectiveness would be severely reduced if it were to decline to the status of a mere pension plan for numerous types of outside service. The precedent established by enactment of this bill would inevitably be urged in support of proposals for extending credit for almost any type of outside employment.

The Government, through a provision in the Retirement Act for vesting annuity benefits at age 62 after a minimum of 5 years of civilian employment, fulfills any reasonable obligation it might have to provide retirement benefits to an

individual who spends only a part of his working lifetime in the Federal service. Whether the 5 years or more of Federal service come at the beginning, middle, or end of his working career, he receives a retirement benefit for this part of his life's work. We can find no reasonable basis on which the Government should assume a responsibility to pay annuity based on additional service rendered to some other employer, and for which such other employer was directly responsible.

The Commission notes that S. 1041, a bill to credit certain State service under the Retirement Act, was approved by the 84th Congress but vetoed by the President under date of August 12, 1955. Briefly, the White House memorandum of disapproval stated that the bill was not approved because it would (1) make improper use of Federal funds to pay for service never received by it; (2) result in an unsound shifting of fiscal responsibility from State to Federal Government; (3) set an undesirable precedent; and (4) constitute an unsound approach to the desirable goal of increased employee mobility. It is also noted that on July 1, 1960, the legislative body, notwithstanding Commission opposition and Presidential veto, accorded employees of agricultural stabilization and conservation county committees the benefits of the Civil Service Retirement Act, Federal Employees' Group Life Insurance Act, and Federal Employees Health Benefits Act.

The Commission is in complete accord with the position of the Chief Executive in each instance and recommends strongly that adverse action be taken on S. 991.

In the absence of current figures regarding the number, length of service, and average salaries of possible beneficiaries under this bill, we cannot furnish an estimate of total cost. However, it is obvious that a substantial element of cost to the Government would be involved.

Need for technical revision is seen if the bill is considered by Congress, in that lines 17 and 18, page 4, state: "As used in this subsection the term 'State' includes Alaska, Hawaii, and Puerto Rico." Alaska and Hawaii should be deleted from the passage. Also, for purposes of consistency and to include Members of Congress as beneficiaries of the bill, the words "employee or Member" should be substituted (a) for the phrase "officer or employee of the United States Government or the municipal government of the District of Columbia" in line 9, page 1, and line 1, page 2; and (b) for the words "officer or employee" wherever they otherwise appear in the bill.

It is noted that this bill does not provide an exception to the restriction on the use of the retirement fund imposed by the paragraph headed "Civil Service Retirement and Disability Fund" in section 101 of title I of the act of August 28, 1958, Public Law 85-844, 72 Stat. 1064.

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

By direction of the Commission:

Sincerely yours,

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

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington, D.C., June 18, 1964.

HON. OLIN D. JOHNSTON,

Chairman, Committee on Post Office and Civil Service, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Bureau of the Budget respecting S. 991, a bill to amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes.

The purpose of this bill is to make extra payments to a group of Federal employees and retired employees by granting credit under the Civil Service Retirement Act for periods of non-Federal service in the employment of States or State instrumentalities in connection with various Federal-State cooperative programs. Retirement credit would be granted for such non-Federal employment, both to persons who now, and who will in the future, serve in positions subject to the Civil Service Retirement Act, and to persons already retired.

We do not believe Federal employee benefits should be provided for services rendered to another employer, since these Federal benefit payments are compensation for services rendered to the Federal Government. The services which this

bill would declare to be "Federal employment" for retirement benefit purposes were, or are being, or will in the future be, rendered to States in the performance of State functions. The employees involved are appointed by the States. The terms of their employment, including salaries and benefits, are determined by the States subject to State law and regulations covering State employees. The employment involved is not Federal employment. The basic employment relationship between the State as employer and the State employe is not altered by the fact that the funds used by the State to finance the program were provided in whole or in part by the Federal Government, or that the programs were carried out under a cooperative or joint program involving both Federal and State Governments, or that Federal participation is conditioned upon adherence to Federal standards. Neither does the fact that the State work may be similar to Federal work alter the employment relationship. If these were the only conditions necessary for creating an employer-employee relationship with the Federal Government, countless additional categories of State, municipal, and private contract work might well be declared "Federal employment" for Federal compensation payment purposes—where the work is similar to Federal work, where funds involved originated from the Federal Government, or where the work is subject to a Federal standard or regulation.

The use of Federal Government employee benefit structure and funds as a general source of money for payments to selected groups of the population seems to us both unwise and unwarranted. Such use would disburse Federal payroll funds on some other basis than for services rendered to the Federal Government. Not only would Federal expenditures and revenue requirements be increased to provide payments for services which were the responsibility of States or other non-Federal employers, and for which the agreed compensation must be presumed to have been already paid by such State, but also the integrity of the Federal Government's compensation system, which ought to be patterned to serve its own employment needs, would be progressively impaired as the benefit structure and eligibility conditions are modified to suit non-Federal interests.

Accordingly, the Bureau of the Budget strongly urges that the committee not give favorable consideration to S. 991.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Mr. MACY. The Commission opposes this proposal as it has opposed like proposals in the past on the grounds that this is a departure from the basic purpose of the civil service staff retirement system as it was originally established in 1920 and as it has been augmented and refined in the period since.

The plan is one that operates at the present time where there is an employer-employee relationship between those who are acquiring credits for retirement and the Government itself.

This bill would propose to allow credit for those who had had State service in any of six programs. In the first place, the limitation to only 6 programs would make this bill discriminatory in that there are, by actual count, some 40 or 50 different programs, in being at the present time, that involve a Federal-State financial relationship.

Further, by including credit of this type we are further departing from the basic employer-employee relationship which is the foundation of the civil service retirement system.

Another point of objection is the cost of this legislation. Although it is difficult to ascertain how many employees would gain credit under the bill as it is proposed, even the most conservative estimate is that there would be between 5,000 and 6,000 individuals who would acquire credit. It is the Civil Service Commission's estimate that with that number there would be roughly an increase in total cost to the Federal Government of \$55 million.

This would increase the deficit that already exists in the fund and in our judgment would be an unwarranted departure from basic retirement policy.

The second bill, S. 2144, is the bill on which Senator Neuberger just testified and I would ask that my complete statement regarding this bill be included in the record at this point.

Senator McGEE. That will be included in the record at this point. (The statement of Chairman Macy regarding S. 2144 follows:)

STATEMENT OF JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE COMMISSION,
ON S. 2144

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to present the views of the Commission on S. 2144. The purpose of the bill is to apply the present liberalized joint and survivorship option of the Civil Service Retirement Act retroactively to the cases of all retirees on the roll who retired before the current option became available October 11, 1962, and elected reduced annuities to provide survivor benefits for their wives or husbands.

My letter of August 14, 1964, explains how this legislation would operate, suggests technical amendments to fully provide the results evidently intended, and sets forth the reasons why the Commission is unable to concur in its enactment. If you agree, Mr. Chairman, I believe it would be well to incorporate that letter in the record at this point.

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 support the survivor annuity entitlement. The option has been amended four times since that date to progressively decrease the annuity reduction cost to the retiring married employee. In each of the amendments to the option, in 1948, 1949, 1956, and 1962, Congress carefully and deliberately provided that the change would operate prospectively, that is, the liberalized option was made available only to persons retiring on or after the effective date of the liberalization. Employee contributions were increased in 1948 and 1956 to partially pay for these benefits added for the future.

This prospective intent was particularly true of the October 11, 1962, amendment, which lowered the reduction to 2½ percent of annuity up to \$3,600 used as the base for survivor annuity, plus 10 percent of any annuity over that amount used as the survivor base; this amendment also raised the named survivor's portion to 55 percent of the survivor-base amount chosen by the retiree. As written, these amendatory provisions were plainly prospective from date of their enactment on October 11, 1962. But the 87th Congress wished to make its intent doubly clear and included in the legislation a special provision stating that these changes would not apply to employees retired or otherwise separated prior to the date of its enactment.

S. 2144 proposes to reverse this policy of the 87th Congress, and would retroactively extend the joint and survivorship option, enacted in 1962 for the future, to all retirees on the roll who retired before October 11, 1962, on a reduced annuity with benefit to widow or widower. Effective January 1, 1964, the bill would entitle each such retiree to a recomputation under the current liberalized joint and survivorship option as though it had been in effect when he retired in the past. To each rate so recomputed would be added the various annuity increases, aggregating from 5 to 90 percent, acquired by the retiree since his retirement, and the resulting increased retirement annuity would become payable starting January 1, 1964. Also, the spouse named at retirement would become eligible for a potential survivorship annuity of 55 percent of the retiree's single life rate or such lesser amount as he may have designated as the survivor base when he retired.

Practically all affected retirees would derive higher rates of annuity under this legislation and it would involve substantial additional costs. It is estimated that the first year cost of S. 2144 would be about \$14.5 million. The unfunded liability of the retirement system, now at about \$35 billion, would be increased by an estimated \$245 million.

The Commission does not consider that justification exists for Government assumption of the added costs involved in this proposed retroactive liberalization of rights which vested under prior acts of Congress. Liberalizing retire-

ment or survivor benefits under the retirement system for the future is warranted 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. Liberalizations of this sort are justifiable because they produce mutual benefits for the employer and employee. This same reasoning does not apply with respect to retroactive application of liberalizations, where the only advantage is to the former employee. The 87th Congress recognized this principle and wisely applied it in making the liberalized survivorship option available strictly for the future. We do not believe that a reversal of this previous sound judgment would serve a constructive purpose.

Those who would benefit under this legislation are under no inequity. They are receiving not only the benefits originally promised them, but have had their benefits materially increased under the various annuity adjustments enacted in the past. Moreover, the automatic cost-of-living annuity adjustment plan installed by the act of October 11, 1962 assures them of increases in the future in the event living costs rise as much as 3 percent.

Because it would affect only a particular class of retirees, this legislation could create a new problem. It would generally raise the annuity rates of members of the class—retirees with joint and survivor elections. Other retirees not within the class would view the legislation as simply an annuity increase in which they did not participate. These retirees would naturally press for further legislation to provide them with a corresponding increase. The end result could be a return to the undesirable piecemeal annuity adjustment situation which Congress intended to eliminate once and for all by enactment of the permanent automatic cost-of-living annuity adjustment plan.

I urge that a favorable action not be taken on S. 2144.

Mr. MACY. The position of the Civil Service Commission is that a retroactive application of liberalized survivorship benefits is unjustified and would further complicate the structure of rates for survivors.

In the case of this legislation, Mr. Chairman, there is a letter dated August 14, 1964, from the Commission outlining its points of objection. Perhaps that should also be included in the record, together with the Bureau of the Budget report.

Senator McGEE. We will include those letters at this point in the record.

(The letters follow:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., August 14, 1964.

HON. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate.

DEAR MR. CHAIRMAN: This refers further to your request of September 13, 1963, for Commission report on S. 2144, a bill to amend the Civil Service Retirement Act, as amended, to provide for the recomputation of annuities of retired employees who elected reduced annuities at the time of retirement in order to provide survivor annuities for their spouses.

Upon enactment October 11, 1962, section 1103 of Public Law 87-793 amended the Retirement Act to liberalize the survivorship option in cases of retiring married employees. The amendment lowered the annuity reduction required to support survivor annuity to spouse, making it 2½ percent of the first \$3,600 used as the base for survivor annuity, plus 10 percent of any annuity over that amount used for the survivor base. It also raised the survivor's portion to provide the named spouse with an annuity of 55 percent of the survivor-base amount.

As enacted, these changes operated prospectively only—from and after October 11, 1962. However, to make this intent doubly clear, an affirmative proviso was included in section 1104 of Public Law 87-793 specifying that these changes would not apply "in the case of employees or Members retired or otherwise separated prior to the date of enactment of this act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if these amendments had not been enacted."

S. 2144 proposes to reverse this policy of the 87th Congress and extend the described liberalizations retroactively to all retirees on the annuity roll who retired before October 11, 1962, with reduced annuity elections to provide

survivor annuity to their spouses. Effective January 1, 1964, the bill would entitle each such retiree to a recomputation under the survivor reduction formula in effect since October 11, 1962. Retirement annuity would be payable at the resulting recomputed rate from and after the effective date, and the spouse named at retirement would become eligible for a potential survivor's annuity of 55 percent of the retiree's full single life rate or such lesser amount as the retiree might have designated at retirement as the survivor base. Affected cases would include retirees with survivorship elections under each of the following four options.

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

In some cases the spouse named at retirement will have died or have been divorced at time of proposed recomputation. In each such instance, only the recomputed rate of retirement annuity would be payable, there being no new election right involved in the proposal.

All affected retirees had their annuities increased by 5 percent on January 1, 1963, and many have had one or more previous increases, ranging roughly from 10 percent to 90 percent, under the four general annuity adjustment enactments of 1948-50, 1952, 1955, and 1958. Under S. 2144 as written, we are unable to find authority whereby these increases could be superimposed upon the rates resulting after the proposed recomputations. Thus, only a few hundred of the "actuarial reduction" cases wherein retirement occurred before April 1, 1948, would benefit under the bill. In the vast majority of cases, the increased annuities now payable exceed the recomputed benefits which would result from applying the section 1103 formula to original single life rates.

We believe this limited effect is inadvertent and that proponent intended to provide for recomputation of these annuities under the section 1103 formula as of original retirement dates, with intervening annuity increases added to the recomputed rates, and with resulting higher rates payable prospectively from effective date. The bill would so provide if amended as follows:

1. In line 6, page 1, insert after "recomputed" the phrase "as of date of retirement".

2. In line 5, page 2, insert before the period the clause "and no increase in annuity hereunder shall accrue for any period prior to such effective date".

As presently written, the cost of S. 2144 would be negligible. Assuming amendment as indicated, however, to permit superimposition of past increases, affected retirees would generally derive higher rates of annuity and a substantial cost factor would be involved. On this basis, the first year increase in cost is estimated as \$14.5 million, and the total cost (represented by a corresponding increase in the unfunded liability of the civil service retirement system) is estimated as \$245 million.

The Commission does not concur in this proposal. No justification appears for retroactive liberalization of these annuity rights which vested under prior acts of Congress. 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 liberalizations. The 87th Congress recognized and followed this sound policy in enacting the section 1103 formula and making it operative on a strictly prospective basis. We know of no constructive purpose which would be served by now reversing this judgment of the 87th Congress.

The retirees and survivors who would benefit under the proposal are under no inequity. They are entitled not only to the benefits originally promised them but have had those benefits enhanced materially by various increases provided in the past. In addition, the automatic cost-of-living annuity adjustment plan

installed by Public Law 87-793 assures them of increases in the future in the event of a rise of 3 percent or more in living costs.

This proposal would affect only a particular class of retirees. Its enactment would generally provide higher rates to members of the class. Other retirees not within the class would view the legislation as simply an annuity increase enactment and would naturally press for further legislation to provide them with a corresponding increase. The result would be a return to the disorganized, piecemeal annuity adjustment situation which Congress intended to eliminate permanently by installation of the automatic cost-of-living annuity adjustment plan. The Commission is opposed to any legislation which would produce this undesirable effect.

For these reasons, the Commission accordingly recommends that adverse action be taken on S. 2144.

In connection with duplicate bill, H.R. 4462 (except for effective date), the Bureau of the Budget advised that there would be no objection to the submission of this report to the committee.

By direction of the Commission :

Sincerely yours,

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

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 14, 1964.

HON. OLIN D. JOHNSTON,
*Chairman, Committee on Post Office and Civil Service,
U.S. Senate, New Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Bureau of the Budget respecting S. 2144, a bill to amend the Civil Service Retirement Act, as amended, to provide for the recomputation of annuities of retired employees who elected reduced annuities at the time of retirement in order to provide survivor annuities for their spouses.

Public Law 87-793, enacted October 11, 1962, lowered the survivor annuity reduction formula to 2.5 percent of the first \$3,600 used as a base for the survivor annuity, plus 10 percent of annuity over that amount, and raised the survivor annuity to 55 percent of the base amount. The bill, S. 2144, would require that this more liberal formula be used to recompute the annuities of all pre-October 11, 1962, retirees who had elected survivorship annuities, thus attempting to increase such retirement and survivor annuities.

The 87th Congress, in enacting Public Law 793, took a firm stand against retroactive application of annuity adjustments. Section 1104 of that act specifically provides that the new survivor annuity formula "shall not apply in the case of employees or members retired or otherwise separated prior to the date of enactment of this act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if these amendments had not been enacted."

These earlier retirees and their survivors have already been treated very generously as is shown in the report which the Chairman of the Civil Service Commission is submitting to your committee on S. 2144, which points out that application of the new formula to the original single-life annuity amount earned by the employee at the time of his retirement would not provide an increase as large as that already granted under the four general annuity adjustment enactments of 1948-50, 1952, 1955, and 1958 which have ranged cumulatively from 10 percent to 90 percent. To further increase the annuities of this particular group of retirees, in the manner here proposed, would create inequities vis-a-vis other groups of present and future retirees, thus generating demands for additional annuity adjustments.

The Bureau of the Budget has consistently opposed proposals to recompute the annuities of employees already on the retirement rolls. Recomputation constitutes an abrogation of the contract in effect when the annuitant was an active employee. The more generous survivor annuity computation formula now in effect is supported (at least in part) by larger employee contributions than those in effect during the period when most retirees were in active employee status. To apply the current annuity computation formula to the annuities of retirees who contributed at rates far less than current contribution rates would be unfair to current and future active employees.

For the reasons stated, the Bureau of the Budget recommends that your committee not give favorable consideration to the subject bill.

Sincerely yours,

PHILLIP S. HUGHES,

Assistant Director for Legislative Reference.

Mr. MACY. I think that my point at this stage would be to emphasize that the Congress provided in 1962 a new and liberalized formula for the computation of survivorship benefits. It made very clear, doubly clear, in the legislation which is part 3 of Public Law 87-793, that it did not intend that these new rates apply other than prospectively. If this legislation were enacted it would go back over quite a period of time during which there have been a number of adjustments in survivorship rates, and there would be confusion and inequity that would result from this retroactivity.

It is the view of the Commission further that in the event the committee does have an interest in this legislation that it review its technical language very carefully because it is our view that the language as presently written does not carry out the actual intent of the legislation in that it does not take into account the fact that there have been liberalizations of rates in the intervening period since the retirement and the survivorship eligibility of those who would be covered by the bill.

On the matter of cost, this is extremely difficult to estimate but again the Commission has endeavored to provide an estimate.

The first-year cost of S. 2144 would be, in our judgment, \$14.5 million, and the unfunded liability of the retirement system, now at about \$35 billion, would be increased by an estimated \$245 million.

Mr. Chairman, it is the view of the Commission that the 87th Congress exercised fine policy judgment in establishing a system for regular adjustment of annuity rates by relating those rates to changes in the cost of living and thereby assuring that the purchasing power of the annuity rates earned by service and salary computation would be maintained and that further adjustments beyond that are not warranted under a system that is based upon the service and salary of employees and not on welfare considerations.

Further, it is our view that this legislation dealing as it does with just one class of retirees would immediately subject this committee and other groups with requests to do likewise for other classes of retirees.

The third piece of legislation is S. 2184, which would provide a general increase in existing annuities under the Civil Service Retirement Act, and I would request that my complete statement regarding this legislation be included in the record at this point.

Senator McGEE. Without objection, that will be done.

(The statement of Chairman Macy regarding S. 2184 follows:)

STATEMENT BY JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE
COMMISSION, ON S. 2184

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear today in connection with your consideration of S. 2184, proposing to grant a further general increase in existing annuities under the Civil Service Retirement Act.

Specifically, S. 2184 proposes to increase all retirement and survivor annuities which commenced on or before the date of its enactment and to pay such increases from the retirement fund without supplementary financing. The bill would increase these annuities, effective the second month after enactment, under

a graduated schedule of percentages ranging from 9 percent for annuities of \$1,800 or less, down to 3 percent for annuities of \$3,801 or more. The percentage increase in a retiree's annuity would be passed along after his death to each of his survivors entitled to an annuity.

My letter of July 13, 1964, presents in full detail the Commission's reasons for recommending against favorable consideration of this legislation. With your permission, Mr. Chairman, I suggest that this letter be made part of the record of this hearing.

It is the position of the Commission that there is neither need nor justification for any further annuity increase legislation beyond that enacted into law by part III of Public Law 87-793, approved October 11, 1962. The 1962 enactment provided an increase of 5 percent, effective January 1, 1963, in all annuities which commenced on or before that date, and afforded increases ranging from 4 percent down to 1 percent in all annuities commencing in the 4-year period following January 1, 1963.

In addition, the 1962 enactment incorporated into the retirement law itself a long-range cost-of-living annuity adjustment plan for the future. Under the plan, the Commission determines annually, after each January 1, the percentage change in the Consumer Price Index from 1962, or from the year before the most recent increase under the cost-of-living plan, to the latest complete year. Based on such Commission determination, an annuity increase will be allowable effective April 1 of any year after the percentage change in the price index has equaled a rise of at least 3 percent. All annuities then payable which commenced earlier than January 2 of the preceding year will be automatically increased by the percentage of rise in the price index.

This automatic adjustment provision is widely considered to be the most significant and far-reaching piece of legislation so far enacted in the field of annuity adjustment. It established for the first time a positive permanent plan for future annuity adjustment designed to maintain the purchasing power of the annuity dollar of all retirees and survivors currently on the annuity roll and those coming on the roll in the future. I might note that the cost-of-living adjustment plan has now been enacted for the military retired pay systems and will govern future increases in retired pay of military personnel.

Proponents of the legislation under consideration today contend that this proposed increase is necessary because the 5-percent increase January 1, 1963, did not provide a sufficient increase in the annuities existing at that point. The facts simply do not support this contention. Under enactments of 1948-50, 1952, 1955, and 1958, four increases were granted annuitants whose benefits were based on service ending before October 1, 1956. This group of pre-1956 annuitants comprised roughly half the annuity roll as of January 1, 1963; their benefits had been adjusted up to date by the 10-percent increase granted August 1, 1958.

The other half of the annuity roll was made up of annuitants with benefits based on service which ended on or after October 1, 1956. Their annuities had been computed under the liberalized annuity formula installed by the 1956 Retirement Act Amendments which afforded benefits averaging some 25 percent higher than previous levels. As of January 1, 1963, the annuities of this group had not otherwise increased.

Under these circumstances, the point chosen for measuring a proper adjustment for both of these groups of annuitants was the year 1958. Starting from this point provided continuity of adjustment to pre-1956 annuitants, since their annuities were last increased August 1, 1958. For 1956 act annuitants, 1958 started adjustment from a time when price rises began eroding the purchasing power of their annuities computed under the annuity formula as liberalized in 1956. During the period 1958 to 1962, the Consumer Price Index showed a rise in price levels of not quite 5 percent. The 5 percent annuity increase January 1, 1963, thus provided affected annuitants an increase slightly in excess of the rise in living costs over the 1958-62 period.

Even if the increases proposed by S. 2184 were warranted, the Commission would be obliged to object to the bill because of its unsound approach. Its design which would weight increases in favor of lower annuities—generally low-salary, short-service cases—is in direct conflict with the objective of the retirement system which relates benefit amounts to length of service and salary of the employee. We cannot accept any such approach which would tend to convert the career incentive retirement system into a nonincentive welfare system. Another shortcoming of the proposal is that it would create a sharp distinction between an annuitant on the roll on enactment date, and one coming on the

roll as little as 1 day later. The one would have his annuity increased, the other would not.

Besides granting an unwarranted annuity increase on a basis geared primarily to need rather than sound retirement policy, enactment of this legislation would materially increase costs of the retirement system. The first year cost of this bill is estimated at \$75 million. It would increase the \$35 billion unfunded liability of the retirement system by an estimated \$800 million.

I recommend that your subcommittee not give favorable consideration to S. 2184, which could, if enacted, defeat the purpose of the permanent cost-of-living annuity adjustment plan now in effect and lead to a return to the disorganized piecemeal annuity adjustment situation which the permanent plan intended to eliminate once and for all. I recognize that the cost-of-living plan has not yet operated. The rise in the price index from 1962 to 1963 amounted only to 1.2 percent and present indications are that a 3-percent rise will not materialize so as to result in an increase April 1, 1965. Nevertheless, I believe the plan provides annuitants with adequate assurance that their benefits will be adjusted to keep pace with living costs and that any supplemental annuity adjustment is unjustified.

Mr. MACY. With respect to this legislation there is on record, Mr. Chairman, a letter of July 13, 1964, which presents in full detail the Commission's reasons for recommending against favorable consideration of this legislation. I note for the record that you also have a communication from the Bureau of the Budget and one from the Comptroller General, also.

Senator McGEE. We will include those letters in the record at this point.

(The letters follow:)

CIVIL SERVICE COMMISSION,
Washington, D.C., July 13, 1964.

HON. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service, U.S. Senate.

DEAR MR. CHAIRMAN: This refers further to your request of September 30, 1963, for Commission report on S. 2184, a bill to increase annuities payable to certain annuitants from the civil service retirement and disability fund.

S. 2184 proposes that all annuities (starting on or before its effective date) payable from the retirement fund be increased on the first day of the second month following enactment in accordance with a prescribed schedule of percentage increases ranging from 9 percent to 3 percent, depending upon the rate of annuity being paid (with the greater percentage increase applied to the smaller annuities). The proposed increases would not apply to any additional annuity purchased by voluntary contribution.

The Commission is unable to concur in the proposal embodied in this bill. Were any further increases presently warranted, the unsound approach here advanced is accentuated by its regressive 9-3 percentage increase method. This method, designed to weight increases in favor of annuitants in low-salary, short-service cases, directly conflicts with the objective and design of the staff retirement plan under which benefits are related in amount to the salary and length of service of the employee. The objective of the staff plan is to provide benefits which are adequate after a full career (30 to 35 years) of Federal service, with proportionately lesser benefits to employees who spend only part of their working lives in Federal employment.

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

The need for adjusting existing annuities (both presently and in the future) has already been recognized and provided for by the 87th Congress. The present proposal attempts to repudiate this action by granting unjustified increases above and beyond the automatic cost-of-living annuity increases provided by part III of Public Law 87-793, approved October 11, 1962.

The benefits provided by the cited annuity increase law are outlined below:

I—INITIAL ANNUITY ADJUSTMENTS

This law gave a 5-percent increase, effective January 1, 1963, to all employee and survivor-annuitants whose annuities commenced on or before that date.

The annuity of each retired employee and survivor of a deceased employee which commences between January 2, 1963, and December 31, 1966 (both dates inclusive), is increased in accordance with the following schedule:

Annuities which commence between—	<i>Are increased from the com- mencing date by — percent</i>
Jan. 2 and Dec. 31, 1963	4
Jan. 1 and Dec. 31, 1964	3
Jan. 1 and Dec. 31, 1965	2
Jan. 1 and Dec. 31, 1966	1

The percentage of initial increase in the annuity of a retired employee is passed along after his death to each survivor entitled to annuity; i.e., the survivor's annuity rate is increased by the same percentage as the retired employee's rate in lieu of the scheduled initial adjustment in effect at the time the survivor's annuity begins.

The initial adjustment provision also removed the \$2,160 and \$4,104 annuity increase ceilings imposed by the acts of July 16, 1952, and August 11, 1955. The ceilings were made inoperative as of January 1, 1963, and the annuity of each annuitant then on the roll who was affected by one or both of these dollar maximums was reestablished as of January 1, 1963, as though the ceilings had never existed. The added amount resulting from ceiling removals is not passed on to a survivor of a retired employee.

II—FUTURE COST-OF-LIVING ADJUSTMENTS

This law also established, for the first time, a permanent automatic cost-of-living annuity adjustment plan for the future. Under this plan, the Commission is required to determine annually, after each January 1, the percentage change in the price index from 1962, or from the year before the most recent annuity increase under the cost-of-living plan, to the latest complete year. Based on such Commission determination, an annuity increase will be allowable effective April 1 of any year after the percentage change in the price index (the calendar year average of the consumer price index issued monthly by the Bureau of Labor Statistics) has equaled a rise of at least 3 percent. All annuities then payable which commenced earlier than January 2 of the preceding year will be increased April 1 by the percentage of rise in the price index, adjusted to the nearest one-tenth of 1 percent.

The automatic adjustment provision contained in this law is not only substantial, but it represents the most significant and far-reaching piece of legislation ever enacted in this area. It establishes, for the first time, a positive permanent plan for future annuity adjustments designed to maintain the purchasing power of the annuity dollar of those now on the roll and of annuitants coming on the roll in the future. By providing future adjustments to keep pace with cost-of-living rises, the plan will preserve the relationship of annuity to service and salary intended by the retirement system and produce the desired effect of relieving the basic problem of annuitants who have heretofore been adversely affected by increases in the price level.

The basic problem of annuitants is that they receive fixed incomes and are adversely affected by increases in the price level. When the purchasing power of the dollar is decreased through rises in the cost of living, the ability of the retired career employee to maintain a comparable standard of living is proportionately diminished. Increases in the cost of living have exactly this same effect on that portion of retirement income which is payable under the system to an employee whose service has been somewhat less than a full career. The Commission believes annuity adjustment keyed to this basic problem under the automatic adjustment plan is the most logical approach in maintaining the pur-

chasing power of annuities in relation to existing prices. In other words, the aim of annuity adjustment is and should be to restore the purchasing power of all annuities and not to improve the purchasing power of a particular class of annuitants, determined on the basis of the size of annuity, as proposed, or on any other extraneous factor. Since the purchasing power of each annuity declines uniformly during any given period, adjustment to counter such decline should likewise be uniform.

One of the primary objections to the current proposal is that even the lowest annuity increase advocated, 3 percent, is not justified by the percentage change in price levels which has occurred since the last general annuity increase in January 1963. Comparison of the 1962 calendar year average of the Consumer Price Index with the 1963 average shows a percentage rise in living costs of only 1.2 percent. The 5-percent increase authorized by part III of Public Law 87-793, effective January 1, 1963, to all annuitants then on the roll offset the 5-percent cost-of-living rise from the last previous annuity adjustment granted in August 1958.

Another undesirable feature of the proposal is that it would grant a greater benefit to survivors presently on the roll than it would grant to a survivor entitled to the same basic annuity (or less) who comes on the roll after the effective date of the proposal—even as little as 1 day. For example, a deceased employee's survivor currently on the roll receiving annuity of \$1,800 a year will, under the proposal, be entitled to an increase of 9 percent. However, the survivor of an employee (with the same service and salary) dying after the effective date of the proposal (if enacted) would be entitled only to \$1,800.

If the proposal is enacted into law, the first year's cost resulting therefrom would be \$75 million with an estimated total cost (present value) of \$800 million. The Commission finds no justification for enactment of S. 2184 and recommends adverse action thereon by the Congress.

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

By direction of the Commission:

Sincerely yours,

L. J. ANDOLSEK, *Acting Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., July 10, 1964.

HON. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your requests for the views of the Bureau of the Budget respecting certain bills designed to increase annuities payable under the Civil Service Retirement Act.

S. 2184 would provide percentage increases in all annuities which start on or before its effective date payable from the civil service retirement and disability fund. The increases would substantially change the relationship between the affected annuities and the employee's salary and service on which they were based by providing larger percentage increases in the lower annuities and smaller percentage increases in the higher annuities.

S. 2680 would provide a 5-percent increase in each annuity payable from the civil service retirement and disability fund having a commencing date prior to January 1, 1963.

In 1962, Public Law 87-793 established a permanent plan for adjusting all annuities from time to time to prevent loss in purchasing power of the earned annuity due to increases in consumer prices. That plan provides a method by which the Civil Service Commission will make annuity adjustments annually when warranted by increases in the Consumer Price Index of the Bureau of Labor Statistics according to the formula provided in that law. That plan provided, in addition, an increase of 5 percent in all annuities payable on January 1, 1963, and increases of 4, 3, 2, and 1 percent in all annuities commencing, respectively, during 1963 after January 1, during 1964, during 1965, and during 1966.

The purpose of this permanent annuity adjustment plan is to maintain the purchasing power of the annuity dollar, at the same time maintaining the relationship of the earned annuity to the employee's salary and service on which it is based.

The annuity increases proposed by these bills would be inconsistent with the permanent annuity adjustment plan enacted in 1962 by Public Law 87-793. As noted above, S. 2184 would destroy the essential relationship between the annuity as earned at time of retirement and the employee's salary and service by which the annuity was earned. S. 2184 and S. 2680 would provide unwarranted and unearned payments from the civil service retirement and disability fund. That fund exists for the purpose of paying earned annuities when they are due, not for paying unearned gratuities.

Accordingly, the Bureau of the Budget recommends against enactment of these bills as inconsistent with administration objectives.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., November 22, 1963.

HON. OLIN D. JOHNSTON,
*Chairman, Committee on Post Office and Civil Service,
U.S. Senate.*

DEAR MR. CHAIRMAN: Your letter of September 30, 1963, acknowledged October 1, requests our views and comments upon S. 2184.

The bill would increase each annuity payable from the civil service retirement and disability fund having a commencing date on or before the effective date of this act—the first day of the second month following enactment. The rates of annuity increases are fixed in the bill on a declining scale depending upon the amount of annuity to which the retired employee or member is entitled. The scale ranges from 9 percent in the case of an annuity of \$1,800 or less downward to 3 percent in the case of an annuity of \$3,801 or more. In addition, the bill would provide an increase in each survivor annuity becoming payable after the death of a retired annuitant whose annuity had been increased under its provisions. The increase in such survivor annuity would be at the same percentage rate as the increase in the annuity of the retired annuitant who elected to provide the survivor annuity.

The reasons for excluding from coverage those employees (and subsequently their survivors) who will receive annuities from the fund commencing after the effective date of the legislation are not apparent. This exclusion would create a situation whereby an employee retiring on or immediately prior to the effective date of the proposed legislation would receive a larger annuity than another employee retiring after the effective date, assuming all other factors to be identical. Further, the graduated percentage increases would result in some inequities among those annuitants receiving increases. For example, disregarding the adjustments resulting from computation on a monthly basis, the 9-percent increase applied to an annuity of \$1,800 would result in an increased annuity of \$1,962, whereas applying the 8-percent rate to an annuity of \$1,810 would result in an annuity of \$1,955. Thus, the annuity that was smaller by \$10 prior to the increase would be larger by \$7 after application of the specified percentage increases. Other annuities that fall near the maximum amount for each percentage level would receive similar treatment.

In addition to the apparent inequities pointed out above, we invite your attention to another matter which we consider to be of considerable importance. A basic concept upon which the civil service retirement system is predicated is that the amount of the annuity to which a retired annuitant is entitled varies in direct proportion to his high 5-year average salary and the amount of his creditable service. To grant increases in annuities based upon graduated percentages related inversely to the amount of the annuity as provided in S. 2184 would constitute a complete departure from such concept. We are aware of no special facts or considerations justifying such a departure in this case. Of even greater concern, however, would be the effect of such a departure as a precedent. A departure here and similar departures in other cases ultimately could lead to results which might seriously impair the concept upon which the retirement system, as it exists today, is founded.

We note also that in recent years legislation has been enacted granting retirees progressively larger annuities. In 1962 this type of beneficial legislation was culminated by enactment of Public Law 87-793, section 1102 of which added a new section 18 to the Civil Service Retirement Act to provide for automatic adjustments of annuities based upon increases in living costs as shown by the Consumer Price Index published by the Bureau of Labor Statistics. The enactment of that section was intended to preserve, throughout the entire retirement period of an annuitant, the same relative standing—in terms of purchasing power—the annuitant enjoyed at the time he first retired. At the same time it appears to have established a policy of congressional recognition that further liberalization of annuity formulas for persons already retired would be unnecessary. For your information there are attached several tables showing the statutory increases in retired employees' annuity benefits enacted in recent years as well as the cumulative financial effect in selected individual cases of such increases.

We have been informed that the Civil Service Commission has not estimated the cost of the increased annuities for the remaining lifetime of the more than 600,000 persons who would receive the benefits proposed in S. 2184. Based on the data published in the annual report of the Civil Service Commission showing the number of annuitants, classified by size of annuity, and applying the proposed increase percentages stated in the bill, we have estimated that for the first year alone the cost of the proposal, if enacted, would be about \$60 million for employee annuitants and about \$11 million for survivor annuitants.

For the reasons indicated above we do not favor enactment of S. 2184.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Enclosures.

TABLE I.—Schedule of annuities at July 1, 1945, retirement date, based on selected years of service and high 5-year average salary of \$2,430 (2d step of GS-5), showing the effect of existing legislation increasing annuities to June 30, 1963

	Annual annuity based on years of service			
	5 years	10 years	20 years	30 years
Annuity at retirement.....	\$204	\$396	\$792	\$1,188
Public Law 426, 80th Cong., Feb. 28 1948 (62 Stat. 48).....	48	96	204	300
Public Law 555, 82d Cong., July 16 1952 (62 Stat. 722).....	60	120	252	324
Public Law 369, 84th Cong., Aug. 11, 1955 (69 Stat. 692).....	36	72	144	204
Public Law 85-465, June 25, 1958 (72 Stat. 218).....	36	72	144	204
Public Law 87-793, Oct. 11, 1962 (76 Stat. 832).....	24	36	72	108
Annual annuity as of June 30, 1963.....	408	792	1,608	2,328
Percent increase since 1945.....	100	100	103	96
Rate of annuity to salary.....	16.8	32.6	66.2	95.8

TABLE II.—Schedule of annuities at July 1, 1950, retirement date, based on selected years of service and high 5-year average salary of \$3,225 (2d step of GS-5), showing the effect of existing legislation increasing annuities to June 30, 1963

	Annual annuity based on years of service			
	5 years	10 years	20 years	30 years
Annuity at retirement.....	\$288	\$576	\$1,140	\$1,716
Public Law 555, 82d Cong., July 16, 1952 (62 Stat. 722).....	72	144	288	324
Public Law 369, 84th Cong., Aug. 11, 1955 (69 Stat. 692).....	48	84	168	228
Public Law 85-465, June 25, 1958 (72 Stat. 218).....	36	84	156	228
Public Law 87-793, Oct. 11, 1962 (76 Stat. 832).....	24	48	84	120
Annual annuity as of June 30, 1963.....	468	936	1,836	2,616
Percent increase since 1950.....	62.5	62.5	61.1	52.4
Rate of annuity to salary.....	14.5	29.0	56.9	81.1

TABLE III.—Schedule of annuities at July 1, 1955, retirement date, based on selected years of service and high 5-year average salary of \$3,535 (2d step of GS-5), showing the effect of existing legislation increasing annuities to June 30, 1963

	Annual annuity based on years of service			
	5 years	10 years	20 years	30 years
Annuity at retirement.....	\$300	\$600	\$1,200	\$1,812
Public Law 369, 84th Cong., Aug. 11, 1955 (69 Stat. 692).....	36	72	144	204
Public Law 85-465, June 25, 1958 (72 Stat. 218).....	36	72	132	204
Public Law 87-793, Oct. 11, 1962 (76 Stat. 832).....	24	36	72	108
Annual annuity as of June 30, 1963.....	396	780	1,548	2,328
Percent increase since 1955.....	32.0	30.0	29.0	28.5
Rate of annuity to salary.....	11.2	22.1	43.8	65.9

TABLE IV.—Schedule of annuities at July 1, 1960, retirement date, based on selected years of service and high 5-year average salary of \$4,510 (2d step of GS-5), showing the effect of existing legislation increasing annuities to June 30, 1963

	Annual annuity based on years of service			
	5 years	10 years	20 years	30 years
Annuity at retirement.....	\$348	\$744	\$1,644	\$2,544
Public Law 87-793, Oct. 11, 1962 (76 Stat. 832).....	12	36	84	132
Annual annuity as of June 30, 1963.....	360	780	1,728	2,676
Percent increase since 1960.....	3.4	4.8	5.1	5.2
Rate of annuity to salary.....	8.0	17.3	38.3	59.3

Mr. MACY. I believe in my comments on S. 2144 I have covered the principal reason for objecting to this legislation, namely, that the Congress in 1962 adopted a formula for regular adjustments which was based upon sound logic and a rational approach to such adjustments by establishing them in relation to the Consumers Price Index.

In 1962, the Congress authorized an increase in rates of 5 percent effective January 1, 1963, which at that time reflected almost exactly the increase in the Consumers Price Index from 1958 to 1962, the period during which there had been no increase in annuitant rates.

Under the present provisions, whenever the Consumer Price Index advances 3 percent or more from the date of the previous increase there will be an automatic increase of a like percentage on the following April 1.

Since the adjustment on January 1, 1963, there has not been a rise of 3 percent due to stability of economic conditions insofar as the cost of living is concerned; the rise in the price index from 1962 to 1963 was only 1.2 percent, and taking the first 6 months of 1964 it would appear that the 2-year increase is going to be only slightly over 2 percent.

So, in all honesty it is clear that there will probably not be an increase of 3 percent between 1962 and 1964.

The Commission's view is that the formula that the Congress adopted in 1962 produced order and understanding out of what had

been a very confusing pattern of adjustments in the past and the Commission would recommend very strongly against an abandonment of that new system before it had actually had an opportunity to function.

Further, Mr. Chairman, there is against the aspect of cost which I believe the committee is desirous of considering.

The first year cost of this bill is estimated at \$75 million. It would increase the \$35 billion unfunded liability by an estimated \$800 million.

On that note, Mr. Chairman, I would like to conclude my testimony with a plea that perhaps the subcommittee in its consideration of these bills would also review the record of a hearing before this committee on August 14, 1963, at which time there was an extensive discussion of the problem of inadequate financing of the civil service retirement fund.

It is the considered view of the Civil Service Commission today, as it was at that time, that the most urgent need with respect to the retirement system is for the adoption of an improved financing system for the retirement fund. If that is not done all of the benefits of this excellent staff retirement plan will be in jeopardy at some future date, and it would be my earnest urging, Mr. Chairman, that that legislation receive priority consideration as the subcommittee considers these other proposals which constitute a liberalization and in each case without any provision for additional financing, in order to make it possible for the fund to cover the increased cost.

So, at some future date it would be necessary, through appropriations, out of tax revenues, to meet what may today appear to be desirable or compassionate adjustments in order to meet the needs of those covered by the retirement system.

Mr. Chairman, thank you very much. I regret that I have taken as many minutes as I have, but these are three important bills and I wanted to make certain that the subcommittee had the views of the Commission even in this capsulized form.

Thank you very much.

Senator MCGEE. Let the chairman observe that even in capsulized form your testimony is very much to the point, very substantive.

We appreciate your cooperating in that fashion, Mr. Chairman.

I think it is appropriate to observe that running through all of these proposals and the hearings we held also a year ago, is the factor of cost. I repeat what I said on that occasion, that we are also in quest of equity in the program. We are trying to set up a program that is right, and if this requires that the Congress take some rather unpopular steps in order to bring that right into being I think it behooves the Congress to do so. Yet, it is very much appreciated that you served this sobering warning to us, that there is no easy and inexpensive way to achieve it, for sometimes people jump into this without realizing some of those consequences.

I believe that the committee has in mind that complexity and that difficulty, but it also has uppermost in its mind this quest for equity.

I want to thank you very much, Mr. Chairman, for your contribution to the committee this morning.

Mr. MACY. Thank you very much, sir.

Senator MCGEE. The staff asks for the record, Mr. Chairman, that we raise one question here.

In the one portion in the testimony on page 6, this is on the county and State employees of the State agricultural extension service, they are to receive credit for service under minute 2 of the U.S. Civil Service Commission.

Now, could you explain for the record the application of the minute 2?

Mr. MACY. These are State——

Senator McGEE. State agricultural extension services. This is dated September 1957.

Mr. MACY. I do not believe I am fully informed on that, perhaps Mr. Ruddock would be able to tell me.

Senator McGEE. Perhaps what you should do is check back on it and provide a statement on it for the record.

Mr. MACY. Because I can say, Mr. Chairman, that the Congress has taken a step in the direction which we are opposing in extending retirement credit to the non-Federal employees in the agricultural stabilization and conservation service.

This was passed as a part of the Federal pay bill in 1960, over President Eisenhower's veto and over the objections of the Civil Service Commission.

It would be our view that the action of the Congress at that time should not be judged as a precedent for further action. We see no point at which this extension of credit to non-Federal service can be logically terminated once this step has been taken. It may be argued that under the bill before this committee now in the Federal service who had that non-Federal service previously would be paying their share of the cost of that credit. The Government's share still has to be met, and this is the cost that is involved.

Senator McGEE. What then was the rationale behind this minute 2, doing it administratively for this group?

Mr. MACY. I believe that in that case the judgment was that these were Federal employees, and Mr. Ruddock can probably elaborate on that.

Mr. RUDDOCK. Mr. Chairman, Commission minute 2 of September 30, 1957, which you referred to, was merely a change in the Commission's rules of evidence.

The three tests of whether a person is a Federal employee are whether he is performing a Federal function; whether he is appointed by a Federal officer, acting in his capacity as such; and whether he is supervised by a Federal officer.

In the Extension Service, clearly certain people were performing a Federal function, clearly they had Federal supervision.

Prior to minute 2 the Commission would accept as evidence of appointment by a Federal officer only a formal piece of paper executed at the time and filed in a file cabinet in the headquarters of the Department of Agriculture in Washington, D.C.

By minute 2, the Commission decided to accept as evidence of appointment by a Federal officer the fact that a particular individual was named in a budget document and in a plan of work which definitely scheduled him to perform certain functions at a local level, provided the budget document and the plan of work were approved at the Department of Agriculture headquarters in Washington, D.C. Minute 2 was merely a change in the rules of evidence.

Senator MCGEE. Thank you for that explanation, Mr. Ruddock.

Almost every person connected with the Federal Government will receive an increase in 1964, except the annuitants. What will be the reaction of the Commission to that fact?

Mr. MACY. My view, Mr. Chairman, in light of the public policy established in part 3 of Public Law 87-793 that adjustments in annuities be related to the cost of living, makes such an observation irrelevant.

Annuitants' rates are not geared to salaries of active employees. In the hearings on the adjustment of rates in 1962 we made the point that the concern of the Government should be one of (1) preserving the purchasing power of the earned annuity, the annuity earned on the basis of length of service and salary, and (2) to preserve that purchasing power over a period of time by making upward adjustments in accordance with the Consumer Price Index.

The same pattern has been adopted for military retirees and so they will be in the same position as retirees under the civil service system.

Senator MCGEE. And those under the annuity system, the annuitants who are living on marginal Federal annuities, would continue to have to live behind the times, as it were?

Mr. MACY. They will continue to live on the basis of the annuity earned in accordance with their service.

Senator MCGEE. But what you are saying is that you feel there is no Federal responsibility to take them a little distance away from the brink of this marginal existence.

Mr. MACY. I am not sure I want to get into brinksmanship this morning.

Senator MCGEE. It borders on that, does it not?

Mr. MACY. Let me respond by saying that I think our colloquy here reflects the problem we have in determining just what the philosophy of the civil service retirement system should be.

In the view of the Commission the original statute and its subsequent amendments indicates that it is the desire of the United States as an employer to have a staff retirement plan where the annuities are based upon length of service and salary earned.

Some of the questions that you have raised very logically inject into this a different point of view, namely, that there should be some welfare consideration involved in the establishment of annuities, that there should be some floor or there should be some standard-of-living factor injected into this.

Our view is that as long as we preserve purchasing power of the earned annuity that this reflects the obligation of a good employer under a retirement system and that it is not possible for anyone to serve in such an omniscient position as to determine what is right for every person based upon his needs. I do not feel that this position lacks compassion; certainly, the fact that we are providing for an adjustment of annuities based upon changes in cost of living is a far more liberal position than is evident in most retirement plans.

So I think it is these points of policy that are injected into this consideration.

Now, if the Congress feels that a set of criteria other than those that apply to a staff retirement plan should become applicable in the Civil Service Retirement Act, why then, I think that statement of public

policy should be expressed and obviously the Commission would alter its view if that became the statutory position provided by the Congress.

Senator McGEE. That statement really gets to the nub of the pending legislation. These bills are really shifts at least in the philosophy up until now, and it is an attempt to give some direction and order to that philosophy that we are considering.

Mr. MACY. I think, Mr. Chairman, that there are other social programs in the whole fabric of Federal, State, and local government which are available to help meet the needs of those who do not have adequate income from a variety of sources. In many instances those with very small annuities are those who have had very limited service with the Federal Government and consequently that annuity is small. But in many instances those who have had limited service have earned benefits under the social security system or under some other pension plan. So, it is very difficult to generalize in terms of the total character of the group of civil service annuitants.

Senator McGEE. When we try to make allowance in these cases for an adjustment to the cost of living, what index is applied—2 percent, 3 percent?

Mr. MACY. The increases will occur automatically when there has been an increase of 3 percent in the Consumer Price Index, which is the recognized Bureau of Labor Statistics measure of the relative cost of the market basket for the American people.

Senator McGEE. That offers some little complication, I would think, when we figure the increased cost of living with that formula, because it is up, I think you suggested 1.2 percent since a year and a half ago, January 1, 1963. Dow-Jones is up more than 100 since then, one of the staff members advises me.

Mr. MACY. Of course that is a completely irrelevant standard as far as this is concerned.

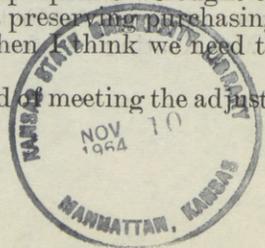
Senator McGEE. Let us take others for an example: Federal salaries are up fifteen percent since 1962, which reflects some increase. If you broke it down into particular commodities most of us have to deal with when we figure our own cost of living, they are rather considerable.

That is the reason there would be some basis for questioning the present formula for calculating cost of living increases, it seems to me.

Mr. MACY. When we discussed this 2 years ago we endeavored to find other standards or criteria which would provide an equitable basis for making adjustments and we found no other that was reflective of purchasing power. Now, if you talk about the Dow-Jones average or the gross national product, or salary levels, it seems to me that all of these are economic factors in the total economy, but that really what we are concerned about as a fair and considerate employer is that the earned annuity continue to have the same purchasing power, and as far as the country at large is concerned the best measure of relative purchasing power from time to time is the movement of the Consumer Price Index.

If there is some other index that is more appropriate we ought to discuss it, or if the view of the Congress is that preserving purchasing power is not the appropriate standard, why then I think we need to find some other standard.

Your suggestion is that we apply the standard of meeting the adjustments in the rates of active employees.



Congress has adopted a policy, again in 1962, of setting the salaries of active employees, based upon the market comparability of salaries. It seems to me that is a totally different criterion, and does not have relevance with respect to the level of annuity rates for those who have already retired and are not in the labor market.

Senator McGEE. I think that omits one factor and that is the sensitivity in the response of annuitants' benefits to the changing cost of living. That is a rather slowly changing index as it is now interpreted. With rising salaries in the Federal level, and other factors going up, it takes longer for the index to be measured in real terms and therefore there is that inevitable gap and the annuitant is the victim of that gap, and perhaps at a time when actually he needs compensation of some sort to bridge that gap.

Mr. MACY. I have trouble following that line of reasoning. It seems to me—

Senator McGEE. That is where we disagree.

Mr. MACY. The cost of living as measured by the Consumer Price Index shows what it costs to sustain a family on a standard and we measure the adjustments, this is a very important measure in our national economy. It has been the objective of the administration to avoid inflation where the price levels advance unduly. We have had a healthy economic condition in the last 3 years in this country because we have had a general rise in the salaries and wages paid to active employees without an equivalent increase in the cost of living. This is a favorable economic situation.

Now, I do not have data which supports this gap that you refer to between increased wages and the cost of living.

If this were the case it would mean that we were headed toward a salary-increased-induced inflation and it is our contention, it is the President's contention in his wage and salary guideline, that this would be an undesirable situation, and we do not see evidence in our analysis of the economic data that that is taking place, but I did not mean to pose as an economist; I am out of my usual role and I apologize.

Senator McGEE. You are not posing as an economist, I am not an economist, so maybe it is up to the two of us to solve this question; maybe we can solve it much easier than the economists have been able to.

I have no more questions unless there are some from the staff.

Thank you, Mr. Chairman.

Mr. MACY. Thank you, Mr. Chairman; I appreciate the opportunity to have this colloquy with you and to further develop this whole argument because I do think that there is need for public understanding of what we are endeavoring to do.

Senator McGEE. Thank you very much.

Mr. Jerome Keating, president of the National Association of Letter Carriers, had intended to be present. However, he indicated to me that he is unable to do so and wishes his statement placed in the record. I note that the Letter Carriers was one of the early advocates of a retirement system for Federal workers.

Mr. Keating's statement will be placed in the record at this point.

(The statement is as follows:)

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

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. We are celebrating our 75th anniversary this month and we hope to see the passage of legislation benefiting our retirees made a part of our diamond jubilee.

We are gravely concerned over the plight of our retirees. We have a retired men's chapter in Los Angeles, Calif., and, out of the 564 men in this group, 70 percent draw less than \$200 per month. These are the older men—men who have had long service in the Post Office Department. Many of these are faced with heavy doctor bills. With the small income they receive, they are in great distress.

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. Most of the civil service annuitants maintain families on an amount far less than this poverty level.

At this time, I would like to urge the committee to report out S. 2184, sponsored by Senator Yarborough, of this committee. This bill provides sorely needed increases for retirees.

H.R. 87-743 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, 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 reflect merely 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 this is grossly inadequate. We respectfully request to this committee that they give consideration to S. 2184, 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 \$2,000; 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.

We also hope that this committee will be able to give favorable consideration to S. 2144, the bill sponsored by Senator Neuberger, which would increase the annuities of survivors. The annuities presently received by survivors are pathetically low. The average annuity of a survivor who was placed on the rolls prior to August 1, 1956, is only \$50 a month; the average annuities of those who were placed on the survivor-annuitant rolls since the passage of Public Law 854 on August 6, 1956, is only \$80 per month.

While the third bill that the committee is considering today, S. 991, sponsored by the very able chairman of this committee, Senator Johnston, does not affect the members of our organization, we want to go on record as favoring this legislation.

Despite the fact that there is only a short period of time remaining before adjournment, I sincerely hope that the committee will be able to take favorable action on this sorely needed legislation.

Thank you.

Senator McGEE. The next witness on the list is Mr. Clarence M. Tarr, president of the National Association of Retired Civil Employees.

I am going to have to ask again that witnesses give consideration to condensation of testimony here. If we do not finish by 12 noon we are out of business. I appeal to you to contribute to getting this hearing finished this morning.

Mr. Tarr, you may proceed in your own fashion.

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

Mr. TARR. Thank you, Mr. Chairman. 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 former 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 George L. Nichols, first vice president and legislative representative, and James O. Bellenger, second vice president and associate legislative representative, and John A. Overholt, our legislative counsel.

We appear in favor of S. 991 which would extend retirement credit to service performed for a State, and an instrumentality of a State on certain federally sponsored cooperative programs; S. 2144 which 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; and S. 2184 by Senator Ralph W. Yarborough and S. 2680 by Senator Neuberger which would increase annuities paid from the civil service retirement fund.

Mr. Chairman, in order to save the time of the committee I ask permission to file my statements on S. 991 and S. 2144 and read my statement on S. 2184.

Senator McGEE. They will be placed in the record.

(The complete statements of Mr. Tarr regarding S. 991 and S. 2144 follow :)

STATEMENT OF CLARENCE M. TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, IN SUPPORT OF S. 991

Mr. Chairman, 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 former 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. Bellinger, associate legislative representative, and John A. Overholt, our legislative counsel. We appear in behalf of S. 991, sponsored by Hon. Olin D. Johnston, chairman of the Senate Committee on Post Office and Civil Service, which would extend retirement credit to service performed for a State, or an instrumentality of a State on certain federally sponsored cooperative programs.

Our Federal Government engages in a great many programs in cooperation with States and instrumentalities of State. Notable among these programs are the county agent system under the Extension Service of the Department of Agriculture, and Federal-State cooperative programs of experiment station research, rural rehabilitation, vocational education, agricultural extension, forest and watershed protection, control of plant pests and animal diseases, public employment service, highway construction, social security, public health, and aid to public schools for the education of Indian children. At the present time, retirement credit is given in full for services as a county agent, or for services as employees of agricultural stabilization and conservation county committees. S. 991 would extend credit to additional service in cooperative programs of experiment station research, rural rehabilitation, vocational education, agricultural extension, forest and watershed protection, and control of plant pests and animal diseases, but would not include service in cooperative programs of public employment service, highway construction, social security, public health, and aid to public schools for the education of Indian children. We respectfully recommend and urge that the bill be amended to include credit for service in these additional Federal-State cooperative programs.

We are especially pleased that S. 991 would be retroactive to extend benefits to persons previously retired on the same basis as to persons who will retire in the future. We believe in this kind of simple justice, where benefits are distributed on an equal basis. However, we note by the text of S. 991 that such retroactive application would be limited to persons who retired after June 30, 1954. We respectfully recommend and urge that retroactive benefits be extended to all who retired since June 30, 1942, as proposed in a companion bill in the House of Representatives (H.R. 5376 by Representative David N. Henderson, of North Carolina).

We recommend and urge prompt approval of S. 991 after revisions proposed above.

Thank you for this opportunity to appear and express our views this morning. We will be glad to answer any questions you may have.

STATEMENT OF CLARENCE M. TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, IN SUPPORT OF S. 448, S. 1058, S. 1662, AND S. 2144

Mr. Chairman, 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. Bellinger, associate legislative representative, and John A. Overholt, our legislative counsel. We appear to speak in behalf of S. 1662, S. 1058, S. 448, and S. 2144 which offer varying methods of improving survivor benefits under the civil service retirement system. S. 1662 would provide survivor annuities for the surviving spouses of deceased retirees without any reduction in the original annuities of such retirees; 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. S. 1058 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. S. 448 would permit a retiree who was unmarried at the time of retirement, in the event of his marriage later, after such marriage has continued 3 years, to elect a reduced annuity and designate his spouse to receive a survivor annuity. S. 2144 would require the recomputation of all reductions in annuities of per-

sons 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.

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 of 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 of 52 years 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 \$1,896. 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 \$1,896.

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 2½ 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 \$10.13 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 annuity. 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, they 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 the 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 2½ percent for more substantial annuities for living spouses. S. 125 by Senator Frank Carlson, of Kansas, was 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. S. 1058 by Senator Maurine B. Neuberger 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 circumstances. S. 448 by Senator J. Glenn Beall would permit such a retiree, after the 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 S. 1662 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 S. 1662, we believe the least it can do is to approve the more modest approach in S. 2144 by Senator Neuberger. 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 S. 1662, cannot be approved, we urge favorable consideration for S. 1058 to permit the remarried retiree to designate his second spouse to receive the survivor annuity, and favorable consideration also for S. 448 to permit a retiree married since retirement to elect a survivor annuity for his spouse.

Thank you for the opportunity to appear and present our views. If you have any question we can answer, we will be happy to do so.

Mr. TARR. Thank you.

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 retired recently.

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 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 164,000 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 of 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 Consumer Price Index from 1955 through 1962 were as follows: 1955, 93.3; 1956, 94.7; 1957, 98; 1958, 100.7; 1959, 101.5; 1960, 103.1; 1961, 104.2; and 1962, 105.4.

This increase of 12.1 points in the Consumer 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 per person 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.

Senator MCGEE. 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 S. 2184, we note that there are many persons whose annuities are small only because they retired on the basis of short periods of service. 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 one-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 S. 2184, particularly because it promises hope 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 S. 2184 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.

Thank you, Mr. Chairman and committee, 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.

Senator McGEE. The committee has no questions, Mr. Tarr. Your testimony was very full and complete, and thank you very much for your contribution.

Mr. TARR. Thank you again, Mr. Chairman and committee.

(The Sylvia Porter article, ordered printed in the record by Senator McGee, is as follows:)

[From the Washington (D.C.) Star, June 14, 1964]

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 program 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, 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.

Senator McGEE. John Griner, president of the American Federation of Government Employees, AFL-CIO, is our next witness.

You may proceed, Mr. Griner.

STATEMENT OF JOHN GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO; ACCOMPANIED BY W. J. VOSS, DIRECTOR OF RESEARCH, AFGE

Mr. GRINER. Mr. Chairman and members of the committee, I would like to file my statement this morning and make a few remarks concerning this legislation which is before us for discussion. And for the record I would like to show that Mr. Bill Voss, our director of research, is on my left.

Senator McGEE. The record so shows. Your complete statement will be placed in the record and you may elaborate as you see fit.

(The complete statement of Mr. Griner follows:)

STATEMENT OF JOHN GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ON S. 991, S. 2184, AND S. 2144

The three bills with which this hearing is concerned would make significant changes in the civil service retirement system. These changes are desirable and the bills have the support of the American Federation of Government Employees.

The bill S. 2184, introduced by Senator Yarborough, is the most comprehensive and would accomplish, in our opinion, a greatly needed objective of increasing civil service annuities. The increases would be provided on a sliding scale of 9 percent for annuities of \$1,800 or less a year to 3 percent for annuities of \$3,801 and above.

The increases would apply to all annuities, whether for length of service, age survivorship, or disability. They would not be in the same proportion as the increases of the compensation of active-duty employees, but they would serve to a substantial extent to close the gap between annuities and salaries and wages which continued to exist ever since the last general increase received by persons on the retirement roll.

That last general increase was included in Public Law 87-793, the enactment which in October 1962 provided the significant salary reforms in the Government's salary systems, particularly that for classified employees. That law increased by 5 percent those retirement annuities in effect on January 1, 1963. There were also raises for retirees who were to be retired during the next 5 years. These were graduated on a descending scale of percentages from 4 percent in calendar year 1963 to 1 percent in calendar year 1966.

The proposed increase is needed because the 1962 raises were inadequate and disproportionate to the need. They were disproportionate because only 5 percent was provided for retirees some of whom were on the roll for many years and are receiving pitifully low annuities, having retired before later liberalizations became effective. Retirees in 1963 were eligible to receive a 4-percent increase, although their annuities were computed on the formula currently in effect which provides significantly higher amounts than formulas in earlier years.

If we refer briefly to annuities in effect only a few years ago, we will find that they were plainly inadequate and furthermore that intervening improvements to the retirement system still left earlier annuities tragically small. They were insufficient to maintain one person in reasonably good health and certainly fell short of caring for a married couple past 60 years of age.

The first complete revision of the Civil Service Retirement Act since 1930 resulted from the enactment of the 1956 amendments. Despite the liberalization of the benefit structure, which resulted in substantially raising annuities from then on, the expected high acceleration of retirements did not take place. The effect of the smallness of earlier annuities continued to dominate the retirement situation as a whole.

In fiscal year 1956, immediately prior to the revision, 38 percent of employee annuitants were receiving \$100 or less and 56 percent \$150 or less. In the next fiscal year of 1957, 39 percent of the 244,268 persons who retired prior to the 1956 amendments were receiving \$100 or less, and 57 percent \$150 or less. Virtually no change. Analysis of the annuities granted that year under the 1956 amendments, indicates that there were 43 percent under \$150 a month and 22 percent under \$100 a month, despite the improved formula for computing annuities.

In fiscal year 1963, 6 years later, and despite an intervening increase in 1962 of 5 percent, 27 percent of all employee annuitants received less than \$100 a month, and 46 percent less than \$150. Why is this so? Largely because 41 percent of all employee annuitants on the roll June 30, 1963, were receiving annuities which were based on the law prior to the 1956 amendments.

Although averages can tell a distorted story, in this case they do reflect the continued inadequacy of annuities. In fiscal year 1956, the average employee annuity was \$133 and the average survivor annuity was \$64 a month. The average age was 67.7 years. During those intervening years, the annuities based on the pre-revision rates had been increased only from \$133 to \$144 a month for 187,982 annuitants retired prior to fiscal year 1957.

During that same period 1956 to 1964, the Consumer Price Index rose 12.6 percent—October 1956 to June 1964. Even with the 5 percent raise in 1962, it is obvious that this group who received lesser increases did not maintain their buying power as measured by the BLS price index. The uncompensated loss of purchasing power since 1956 justifies the increased proposed in S. 2184 and supplies the further increase which was envisioned in the formula provided in the Salary Reform Act of 1962, but which did not materialize.

This formula was designed to increase annuities 3 percent in April in any year which followed a year in which the Consumer Price Index advanced 3 percent. The index has been steady during the intervening 2 years, rising only from 106 in October 1962 to 108 in June 1964 (1957-59 equals 100). An increase such as that proposed in the Yarborough bill is needed because it would raise annuities which are \$150 a month or less by a greater percentage than those which are larger. We heartily endorse this provision and the method utilized as needed to aid those annuitants who need help the most.

The second bill, S. 991, by Chairman Johnston also merits AFGE support. We believe there is ample justification for extending retirement benefits to the six groups which are covered. The six programs are State rural rehabilitation, and the Federal-State cooperative programs relating to agricultural experiment stations, vocational education, agricultural extension work, forest and watershed protection, and control of plant pests and animal diseases.

To become eligible for crediting such service in a State program financed at least in part by the Federal Government, the person to benefit must have had at least 5 years of Federal or District of Columbia service and deposit with interest to the credit of the civil service retirement and disability fund a sum equal to that which would have been deducted from his salary if the period of service claimed would have been subject to the Retirement Act.

There is a precedent for similar action in Public Law 86-568, approved July 1, 1960, which gave retirement credit to employment as a county employee of the Soil Conservation and Domestic Allotment Service. This bill is similar to bills in the 87th Congress, and has the same provisions as S. 2363, a measure sponsored by Chairman Johnston and included in a Senate hearing in the 87th Congress on several bills having the purpose of extending Federal retirement credit to Federal employees who were formerly employed in Federal-State programs.

With respect to S. 991, I do not believe we should stop at the inclusion of only six programs. If we go that far we should go all the way and permit a Federal

employee to be allowed credit under the Civil Service Retirement Act for periods of service performed by him as an employee of a State or political subdivision thereof, or of any instrumentality of either, primarily in the carrying out of programs authorized by act of Congress and financed in whole or in part, by Federal funds. In other words, this phase of the retirement program should not be developed in a piecemeal fashion. It should include all who can qualify for retirement credit on this basis.

We approve the third bill—S. 2144 sponsored by Senator Neuberger. The bill has the desirable purpose of permitting the recomputation of annuities of retired employees who retired prior to October 11, 1962, and who at retirement took a reduced annuity with benefit to wife or husband. An amendment to the law enacted on that date lowered the reduction to 2½ percent of any annuity up to \$3,600, used as the survivor base, plus 10 percent of the annuity over the \$3,600 to be used as the survivor base. The amended law also increased from 50 to 55 percent the portion of the base selected by the retiring employee and which is paid as the annuity to a surviving spouse.

We are appreciative, Mr. Chairman, that you have provided this opportunity to submit this statement.

Mr. GRINER. Thank you, sir; I realize your time limitations with respect to this legislation.

There are some things that I would like to bring out this morning.

First, I want to say we wholeheartedly endorse all three pieces of legislation before you.

Mr. Chairman, I think that all of us must realize the fact that we are our brothers keepers whether we want to realize that or not, and it is up to us who are working and who are able to work.

It is a moral as well as a social responsibility to help take care of those people who have worked before us and now who are not able to continue the work because of age.

With respect to Senator Yarborough's bill, the increase which he has asked, I would say, is meager in consideration of what it should be.

In going over some of the figures from the reports of the Civil Service Commission I find that the average annuities now being paid to all annuitants on the rolls is only \$179 a month. I find that we have almost 149,000 widows on the rolls, and the average now being paid to those widows is a meager \$74 a month. It will not pay their house rent much less the other necessities of life which, of course, include medical care, food, clothing, and other things which the Americans should enjoy.

It is surprising to note that we have 123,000 people on our rolls that are getting less than \$100 a month, and those are annuitants.

We realize that a large percentage of those annuitants retired when salaries were lower, but I think I should call your attention to the fact this morning that we have two other national systems—that is retirement systems in this country—and they are the social security system and the railroad retirement system.

I spent about 26 years with the Railroad Retirement Board so by reason of my employment and contact with these people over the past 26 years I feel that I have a very close relationship to any person that is on our retirement rolls.

I would also like to call your attention to the fact that in both of those systems when retirement benefits are increased those that are then on the rolls receive the benefits of those increases. It is not necessary to come back before you and the Congress of this country and ask for individual increases in order for them to keep up with those people that are now working.

I think we should consider that for future legislation. We provide some automatic system rather than the so-called automatic system that we now have, because the increase in the price index is not truly indicative of the increase in the cost of living of these retired people.

For instance, we have had no increase since the 5 percent that was given to them in 1962, because the price index has not risen by 3 percent since that time, even though salaries have been increased, let us say, materially, by reason of this pay legislation that you have just been instrumental, let us say, in helping us to get through this Congress.

With respect to S. 991, we have only one comment, and that is it appears to us that we are taking in these people who have been working for the State or under State supervisions or other supervisions and paid either wholly or in part from Federal funds. We are trying to take them in by piecemeal. We are in favor of taking all of those people in and being done with it.

If they are paid by Federal funds, regardless of who supervises them, we believe they are Federal employees.

With respect to the bill which Mrs. Neuberger is sponsoring, that is S. 2144, I would like to point out to you again that both in the social security system and the railroad retirement system we have no reductions in order to provide for our widows or our survivors. The employee's annuity is little enough without these reductions.

It has been my experience that the general public is of the opinion that the annuities being paid to retired Federal employees is far greater than what is actually being paid. It is true that we have a very small percentage of the employer group who are on retirement, who are receiving a decent annuity, enough that he can keep up his standard of living to some degree, and we realize, Mr. Chairman, that an annuity was never intended to supplement a paycheck; it is to supplement a person's savings.

As you and I know, the average workingman cannot save, sufficiently that is, in order to provide for himself in his later years, and I think we almost must take into consideration the increased longevity of the men and women in this country. I believe that your records will show that as of 1900, a boy child born in the United States had an average life expectancy of 50 years at birth. Today that average life expectancy is about 68 years. So, this burden is going to become—if we call it a burden—more extensive as we go along.

I think it is up to us to prepare for it.

Mr. Chairman, with that I want to thank this committee, and if you would allow me a personal privilege I would like to thank this committee for the many courtesies that have been shown me and my organization since I have been national president for a period of approximately 2 years. It has been a gratifying experience to know and work with each and every one of you, and we never know what is in the future, but I presume this will probably be the last hearing that we will have this year, and I would like to leave that on the record—my thanks, for your cooperation, for the understanding which we have received during these past 2 years.

Thank you very much, Mr. Chairman.

Senator McGEE. Thank you, John, for your comments expressed here, and likewise for your contribution in your testimony to the questions raised by these bills.

The committee has no questions.

Mr. GRINER. Thank you.

The CHAIRMAN. I would like to say John is a member of my Sunday school class.

Senator McGEE. You taught him well, Mr. Chairman.

Mr. GRINER. Thank you.

Senator McGEE. The next witness will be Mr. Dillard Lasseter who is executive officer of the Organization of Professional Employees of the U.S. Department of Agriculture and representing the National Association of Federal-State Employees.

STATEMENT OF DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE AND THE NATIONAL ASSOCIATION OF FEDERAL-STATE EMPLOYEES

Mr. LASSETER. Thank you, Mr. Chairman.

Before I present my statement I would like to introduce two of our friends from South Carolina who are also going to submit statements.

I might say this, that their presence here probably is just purely coincidental. I do not think South Carolina is too far away but I think Wyoming is too far away so I don't think anybody is here from Wyoming.

I would like to present Mr. Charlie Cloaninger of Columbia, S.C., if he will stand, please; and Mr. M. B. Brissie of Rock Hill, S.C., who will present statements in favor of S. 991 and will not take up any time testifying.

Senator McGEE. Their statements will be placed in the record at the conclusion of your testimony.

Mr. Chairman, I am glad to know these people are here from South Carolina and I welcome them to this hearing.

Mr. LASSETER. Mr. Chairman, I am going to present a statement in favor of S. 991 and I only have two statements to make, I will not refer to my printed statement which I ask to place in the record.

Senator McGEE. We will include your complete statement in the record at this point.

(The statement follows:)

STATEMENT OF DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE, AND NATIONAL ASSOCIATION OF FEDERAL-STATE EMPLOYEES

My name is Dillard B. Lasseter. I am appearing as executive officer of the Organization of Professional Employees of the U.S. Department of Agriculture and representing the National Association of Federal-State Employees. I wish to speak in support of S. 991.

BASIC PROVISIONS

S. 991 would amend the Civil Service Retirement Act to enable present and former U.S. civil service employees and Members of Congress with 5 or more years of Federal retirement credit to include in their retirement credit those periods of service in the six cooperative Federal-State programs named by the bill.

PURPOSES OF BILL

The bill is intended to make it less difficult to recruit for important positions in the Federal service where experience in Federal-State programs is essential to the most effective administration of the program. The best qualified persons generally cannot now afford to transfer from State to Federal employment where they have to sacrifice credit in State retirement systems with no possibility of qualifying Federal retirement for similar previous service in a State. This would not increase the total number of civil service employees. Such jobs must be filled even though the best qualified personnel from Federal-State programs cannot be recruited.

The bill is also designed to improve morale and working efficiency of Federal employees by correcting gross inequities, since some U.S. Department of Agriculture employees now have U.S. civil service credit for service in Federal-State programs while others do not. Precedents for giving credit for service under related circumstances have been set by previous action of the Civil Service Commission. Beginning in 1938, the Civil Service Commission has made several interpretations of the Retirement Act that have resulted in extensions of coverage to 13,493 persons employed under the Federal-State cooperative agriculture extension program as of February 28, 1963. These people work in the various States and counties as joint representatives of the land-grant colleges and the U.S. Department of Agriculture. The Commission also authorized retirement credit for certain employees in the State agriculture extension services who later entered the Federal classified service.

Subsequent to the foregoing actions by the Commission, retirement coverage has been extended to persons employ by county agricultural stabilization and conservation committees in the several States. This was done by enactment of section 115 of Public Law 568, 86th Congress, approved July 1, 1960. We wish to make clear that these employees are not engaged in cooperative Federal-State work of the type discussed generally in this report. Action by the Congress to extend them retirement benefits indicates, however, a clear appreciation of the need to provide equivalent benefits to these fringe groups who are carrying out programs that are essentially Federal in nature. A total of 16,162 county committee employees were covered under the Federal system in this way as of March 31, 1963.

The foregoing precedents, set by administrative action of the Civil Service Commission and by legislative action of the Congress, have given Federal retirement benefits to nearly 30,000 present employees of State, county, or other local instrumentalities that are engaged in work under varying forms of cooperation with and supervision by Federal departments in carrying out programs authorized by the Congress. Enactment of S. 991 would redress the inequities brought about as a result of these precedent actions. It would continue to provide such benefits to a relatively small number of qualified persons to be employed from time to time hereafter.

HOW MANY WILL BE COVERED

A survey made in 1962 showed that there were about 6,868 employees in the USDA who had State experience in a Federal-State cooperative program which might be credited under the Federal civil service retirement if legislation such as S. 991 became law. These were located as follows:

Soil Conservation Service.....	1,500
Farmers Home Administration.....	740
Agricultural Research Service.....	600
State extension services.....	3,120
Other USDA agencies.....	778
Total.....	6,868

It is estimated that not more than 1,000 employees in agencies other than Agriculture would be eligible under S. 991. Relatively few have been added in recent years.

HOW MUCH WILL IT COST

In the course of determining the number of potential beneficiaries, statistics were gathered from a representative sample of several hundred employees as to length of State and Federal service, salary scales, age, and expected dates of retirement. Analysis of these actual surveys, with the help of a competent

actuary, disclosed that about 5,200 presently eligible beneficiaries might be expected to claim additional credit for an average of 8 years of State service in cooperative programs. They would pay into the civil service retirement fund during the first year after enactment of S. 991 approximately \$11,356,800. This amount would be sufficient to pay all benefits flowing from the legislation for the first 5 years after its passage. At the indicated rate of retirement, with consideration for progressive cessation of benefits, annual payments from the fund will diminish in succeeding years.

LEGISLATIVE BACKGROUND

S. 991 is not new. Beginning with 1949, similar bills have sought to extend civil service retirement benefits to Federal employees previously employed on Federal-State cooperative programs. A list of such bills would include those introduced by Senator Carlson, of Kansas; Senator Johnston, of South Carolina; and Congressmen Marshall, of Minnesota; Harvey, of Indiana; Davis, of Georgia; Reece, of Tennessee; Teague, of Texas; Broynhill, of Virginia; Rees, of Kansas; Natcher, of Kentucky; and Rogers, of Colorado.

H.R. 1553 was passed by the House in 1954, was reported out of the Senate Committee on Post Office and Civil Service in the latter days of the 83d Congress. In the rush of adjournment, it did not come to vote in the Senate.

S. 1041 was passed by both Houses of the 84th Congress in 1955, but was vetoed by the President by White House memorandum of disapproval, dated August 12, 1955. Since that time, the Civil Service and the Bureau of the Budget, when requested to report on similar bills, have recommended disapproval on the basis of the Presidential veto message. Insofar as we know, these agencies have not submitted a formal report on S. 991.

ARGUMENTS IN VETO MESSAGE

The President's veto message of August 12, 1955, gave four reasons for not approving S. 1041. These reasons are listed below together with facts about each of these statements.

1. The proposal would "make improper use of Federal funds to pay for services never received by it." Since the Federal-State programs to which the proposal applies are supported in whole or in part by Federal funds, such funds are now, in effect, used to pay for these services. The Federal Government initiated these programs and has continued to provide financial support; it must therefore be assumed that the Government receives benefit from the services performed. Also, the employer cost of providing credit toward the future retirement of an employee is generally considered to be a deferred portion of the worker's compensation for his services.

It would seem reasonable that this cost representing deferred compensation comes from the same source as the funds which provide the employees' current compensation.

Moreover, Federal funds for these programs are in some instances used for the payment of the employer contributions to State or local governmental staff retirement systems to which the employees are subject.

2. The memorandum of disapproval argued that the proposal would "result in an unsound shifting of fiscal responsibility from State to Federal Government." Assumption of these costs by the Federal Government would seem to be fully justified in view of the strong Federal interest in such services, as evidenced by the substantial grants that the Federal Government already makes toward the programs in question.

There are some instances in which the Federal Government presently assumes the employer costs of providing retirement protection even though the individuals concerned are obviously not employees of the U.S. Government. For example, under Public Law 85-795 certain Federal employees transferred to international organizations can retain their civil service retirement coverage and other Federal employment rights and benefits for as long as 3 years if they pay the appropriate employee contributions. The Federal Government, as in the present proposals, bears the cost of the employer contributions to the civil service retirement fund.

3. The memorandum states that the proposal would "set an undesirable precedent." The crediting under civil service retirement of service not performed directly in the employ of the Federal Government is not new. In addition to the example already mentioned, relating to service performed in the employ

of an international organization, such credit has been given in the following situations:

(a) County and State employees of the State agricultural extension service receive credit for service under minute 2 of the U.S. Civil Service Commission, dated September 1957.

(b) County employees of the Agricultural Stabilization and Conservation Service are given retirement credit for Federal service under Public Law 86-568 (1960 Federal employee pay raise bill) passed over the President's veto.

(c) Department of Agriculture employees with \$1 a year appointments while employed in State and country agriculture and home extension programs have been credited for many years with such service.

(d) Some Department of Labor employees who served in State employment services with \$1 per year U.S. Employment Service appointments are receiving credit for such State services for the period of their Federal appointments only.

(e) Public Law 918, 84th Congress, provided that employees of the Department of Agriculture could build up credit under civil service retirement for as long as 2 years during which they are employed by the States, their political subdivisions, land-grant colleges, or colleges or universities operated by State or local governments.

4. The memorandum also states that the proposal would "constitute an unsound approach to a desirable goal of increased employee mobility." The memorandum of disapproval includes a counterproposal that the desired coordination of retirement protection between Federal and States services be achieved by covering both types of services under OASDI. At present many State and local retirement system members and most Federal employees are still not covered under OASDI. The enactment of S. 991 would not only afford many present Federal employees equitable retirement credit with regard to past services performed under Federal-State cooperative programs but would also take care of the situation prospectively since State and Federal OASDI coverage would need to be supplemented by staff retirement systems to provide a realistic solution.

FACTS REGARDING PRIOR TESTIMONY OF BILLS SIMILAR TO S. 991

It was stated that there are many programs, perhaps 30 or more including the 6 named in S. 991, under which claims for Federal retirement benefits might be made. A careful survey of the Federal-State programs has been made during the 14 or more years when legislation such as S. 991 has been under consideration. These surveys revealed that only the six programs named in the bill from the U.S. Department of Agriculture involved personnel who could qualify and probably would make use of the authorizations provided by S. 991.

It was stated that the Civil Service Commission would be unable to draw the line between programs that qualify and those which do not qualify. Selection of the six programs presented no great difficulty because these programs from the time they were initiated have been wholly Federal or joint Federal-State cooperative programs. These programs relate to the public food supply, the protection of natural resources, and the public welfare. Each of these programs in the States is so correlated with a Federal program that the two in fact constitute a single program supervised by Federal officials.

It was stated that the number of State employees claiming Federal retirement benefits would escalate beyond control. Only State employees who later enter Federal employment and establish a 5-year vested right in Federal retirement benefits can receive additional benefits for their State service. The number of State employees recruited for Federal service has diminished greatly since the 1930's and would not materially increase if S. 991 is enacted.

It was stated that State employees in cooperative programs would all seek Federal employment. Presently, State employees not only do not seek Federal employment but the best of them often will not accept Federal employment when offered. State retirement plans generally approach the Federal civil service benefits. As stated above, it is not volume but quality of State employees that is needed to administer the Federal phase of the joint programs.

PROGRAMS OTHER THAN AGRICULTURE

The Civil Service Commission has also suggested in prior testimony on bills similar to S. 991 that there are programs in agencies other than Agriculture which are entitled to consideration as cooperative Federal-State programs. The National Association of Federal-State Employees, representing all Govern-

ment agencies, has made a careful study of existing programs and found nine others which meet the criteria of counterpart Federal and State programs with Federal contribution and Federal supervision. The 15 programs are included in H.R. 5376 which has been reported favorably out of the legislative subcommittee of the House Post Office and Civil Service Committee. The nine additional programs do not have as many potential beneficiaries as the six programs in S. 991 but we urge their inclusion because they would close all the known existing inequities and would prevent the necessity of further legislation in the future.

CONCLUSION

In conclusion may we emphasize that the proposed legislation would assist in a more effective utilization of scientific and other badly needed personnel, would correct some longstanding inequities among a small group of devoted and highly qualified public servants, and would improve the cooperative relationships between the Federal and State Governments in carrying on joint programs established by Congress for the common good.

Mr. Chairman, we hope your committee will act favorably on S. 991.

MR. LASSETER. Mr. Chairman, the honorable and esteemed Chairman of the Civil Service Commission said that S. 991, which, as you know, gives our civil service retirement credit to those who at one time were engaged in Federal-State operations. He made the statement that this is a departure from the civil service system and I want to point out that it is not. The Federal Extension Service, who are paid out of State funds and sometimes county funds, sometimes some Federal funds, have been included in this system for a good many years and I certainly favor that, for that is a great organization.

Most of the people I represent here now are, I would say, the majority were at one time, vocational agricultural teachers. They were supervised by Federal officials, at least half of their salary was paid out of Federal funds, the other from State, and when you try to differentiate between their type of service, their type of supervision, and that of the people who have been taken in, you just cannot do it.

The cost was mentioned, and I want to agree with the chairman of the subcommittee, that something is involved here other than cost—there is a question of equity and I might go even beyond that and the question of human decency. These people who are crying for this retirement credit here now worked very often in the thirties and forties and they do not have any social security for that period. In other words, that period was entirely wasted as far as any retirement benefits are concerned.

As I say, that is a question of equity and human decency.

Also, this bill provides that these people pay back all of the past assessments due as if they had been in the Federal civil service retirement system. Our estimate is, and at the hearing of the House committee, the Civil Service representative agreed, if I understand him correctly, that for a good many years—we estimate 8—8 years, this will not mean a cost on the system, so with those very brief explanations I am ready to answer questions you may have. I appreciate this opportunity to come on at this time, sir.

Senator MCGEE. Thank you very much, Mr. Lasseter. Your full statement has a great deal of substantive material in it.

The statements of your colleagues, Mr. Cloaninger and Mr. Brissie of South Carolina, will appear at this point in the record.

(The statements referred to follow:)

STATEMENT OF CHARLIE CLOANINGER, COLUMBIA, S.C., IN SUPPORT OF S. 991

I am Charlie E. Cloaninger, employed as civilian crafts director with the Department of the Army at Fort Jackson, S.C.

I have 22 years, 5 months of Federal service with the Veterans' Administration and Department of the Army.

I taught vocational agriculture and shopwork for 10 years, 3 months prior to entering military service.

After my release from the Army, I chose Federal employment due to the Federal retirement feature. At that time there were no provisions for retirement for a teacher of vocational agriculture under the Smith-Hughes Act, even though half of the money came from a Federal source.

As the law stands now, I am not eligible for State, Federal retirement, or social security benefits for the 10 years, 3 months that I spent as vocational teacher of agriculture under the Smith-Hughes Act.

STATEMENT OF M. B. BRISSIE, ROCK HILL, S.C., IN SUPPORT OF S. 991

I am M. B. Brissie, an employee of the U.S. Department of Agriculture, Soil Conservation Service. On December 31, 1964, I will have completed 30 years of Federal service and will be eligible for retirement. At that time my monthly income from my retirement fund will be \$387, without any survivor benefits.

Prior to my entry into the Federal service, I taught vocational agriculture for 10 years and 4 months. This period of service was joint Federal-State employment under the Smith-Hughes Act. None of this time is now creditable under either State or Federal retirement programs. Many of my fellow workers who had prior Federal-State employment under the Smith-Lever Act have received credit under civil service for such periods of employment. In each case the percentage of Federal money going into the programs was the same. The only difference being—one was Smith-Hughes and the other was Smith-Lever.

I urge favorable consideration of this bill by the Post Office and Civil Service Committee and by the body of the Senate to passage of this bill.

Senator McGEE. Mr. C. L. Dorson, president of the Retirement Federation of Civil Service Employees of the U.S. Government is the next witness.

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

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

Our organization opposes the enactment of S. 991 for several reasons. First among these is that the civil service retirement system is primarily a staff retirement system for Federal employees and we think it should continue as such. To include as creditable service other types of employment, simply because Federal funds were used in whole or part to finance the employment, goes far afield.

The bill proposes the allowance of credit for certain additional categories of service administered by the various States and their instrumentalities. Such service is, in our opinion, primarily service for a State and not service for the United States. The responsibility for providing retirement benefits for the service should, we think, rest with the States as the employer. To provide credit under the Civil Service Retirement Act would impose an additional financial burden on a system already inadequately financed, where it does not belong.

We can find little difference between the employment in question and many other types financed in the same or similar manner. Since a distinguishing line must be drawn somewhere between Federal and other service for purposes of the Civil Service Retirement Act, would it not be better to leave the line where it is now? We believe it would.

Concerning S. 2184, which proposes increases ranging from 9 percent on annuities of \$1,800 or less and graduated downward to 3 percent on annuities above \$3,800, in all annuities payable from the civil service retirement and disability fund having a commencing date on or before the bill's effective date, we have many reservations. As proposed, it would, in our opinion, create more inequities than would be eliminated.

From the U.S. Civil Service Commission's Retirement Report for the fiscal year ended June 30, 1963 (table C-4 on p. 7) it would appear that only those annuitants who retired prior to October 1, 1956, are now receiving average annuities considerably smaller than those who have since retired in the same general service categories. Therefore, we suggest that the maximum increase of 9 percent, proposed in S. 2184, be applied equally to all annuities which began before October 1, 1956.

S. 2144 deals with a benefit provision of the Civil Service Retirement Act to which we think your attention is most urgently needed. There are, perhaps, more justifiable complaints concerning survivor annuities than any other benefit under the act. We believe, however, that much more is needed than a recomputation of annuities effective before October 11, 1962.

While you are dealing with the subject, we urge that you give the whole matter of survivor benefits the thorough updating it needs and deserves. Rather than S. 2144, the application of which, we fear, may have some undesired results, we respectfully suggest that you consider and favorably report another bill before your committee, S. 1662, by Senator Yarborough.

The opportunity afforded us to express our views is very much appreciated.

Senator MCGEE. Thank you very much, Mr. Dorson, we appreciate your views.

Roy North, legislative representative of the National Association of Postmasters, is the next witness.

**STATEMENT OF ROY M. NORTH, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED
STATES**

Mr. NORTH. My name is Roy M. North, former postmaster at Washington, D.C., and now legislative representative of the National Association of Postmasters of the United States.

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.

S. 991 introduced by the distinguished chairman of the full committee, Senator Olin D. Johnston, on March 4, 1963, amends the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States. We endorse this measure as just recognition of service to State governments and branches thereof where no retirement benefits now operate.

We strongly support S. 2144, introduced by Senator Neuberger on September 12, 1963. This bill provides that annuities for employees retired prior to October 11, 1962, who elected a reduction in annuity to provide survivor benefits for a spouse, be recomputed under the formula of section 1103 of Public Law 87-793 applicable to annuities of employees who retired on or after October 11, 1962.

Public Law 793 extended the base for the 2½-percent reduction for survivor benefits from \$2,400 to \$3,600 and extends the survivor benefit from 50 to 55 percent. The cost to the retirement fund would be relatively small and we submit that this amendment to the act would be a matter of simple equity.

S. 2184 was introduced by Senator Yarborough on September 26, 1963. This measure provides increases in annuities to certain annuitants from the civil service retirement and disability fund. The increases are in seven categories ranging from 9 percent to those receiving \$1,800 or less to 3 percent to annuitants receiving \$3,801 and above.

H.R. 8162 and related bills are companion measures to S. 2184. In testimony before the House subcommittee on August 12, it was disclosed that the 5-percent increase in 1962 was intended to cover the increases in cost of living only since 1958 since the annuity adjustment in that year was denied to persons retired on or after October 1, 1956. It was also pointed out that significant increases in cost of living occurred from 1955 to 1958, and the Consumer Price Index from 1955 to 1962 disclosed cost-of-living advances of more than 12 percent. These figures indicate that a general increase of 9 percent is overdue.

The average annuity is now approximately \$175 a month. President Johnson has stated that a family with an annual income of \$3,000 or less is at poverty's door. The average annuity, therefore, is considerably less.

S. 2184, we submit, is a step in the right direction but we contend that a full 9 percent to all annuities would not be out of order. If not, we suggest a 9-percent increase to all annuitants receiving \$3,000 or less a year and 5 percent to those above that figure.

Substantial increases now would bring deserved benefits nearly up to date but should not in any way interfere with the cost of living adjustment provided by Public Law 793 when the figures of the price index advance to 3 percent. It is now obvious that no annuity increase under that provision will develop until 1966.

H.R. 2155 eliminates the reduction in annuity when a retiree elects to provide a benefit for a spouse. This is one of its most desirable features. When an employee makes the required contribution to the

fund over the years, and retires, he still has to pay for survivorship benefits. This is in effect a "double charge."

Survivor annuities are one of the most important benefits in the civil service retirement system, second only to annuities granted to retired employees. It is a most attractive feature of the system and goes a long way in bringing people of talent into the Government service. These benefits should not be a heavy load on the shoulders of the retiree as long as he lives.

There are many bills before the Congress liberalizing various sections of the Retirement Act.

Several propose that when a spouse predeceases the annuitant the original amount of annuity would be restored. Others provide that in the event a spouse dies, the annuitant may remarry and designate the second spouse for survivor annuity.

It is realized that Congress may adjourn at the end of this week. However, if not, and this session continues in September, we hope that a careful review will be made of all pending legislation referred to herein. Otherwise, these matters should be the first order of business next January.

We may hear of the unfunded liability of the retirement and disability fund. We submit that the fund now has a considerable surplus and it is no immediate danger.

However, legislation is before Congress, S. 1562 and H.R. 6366, asking for a larger contribution by Government agencies in strengthening the fund. We ask for careful consideration and also we hope that S. 176, full retirement after 30 years of service at age 55, will be favorably reviewed at the same time.

Many thanks, Mr. Chairman and members of the committee, in giving us this opportunity of presenting our views on the subject of retirement benefits.

Senator McGEE. Thank you, Roy, for your helpfulness.

There are no questions that we will raise at this time.

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

Senator McGEE. Mr. Owen, president of the National Federation of Federal Employees.

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

Mr. OWEN. Mr. Chairman, I have a very short statement and I shall read it.

Senator McGEE. Please proceed.

Mr. OWEN. My name is Vaux Owen. I am president of the National Federation of Federal Employees.

Our organization is keenly interested in proposed legislation of any kind which seeks to amend the Civil Service Retirement Act. In general we favor legislation which will strengthen the civil service retirement system rather than weaken it. Legislation which would undermine the whole system would be a disservice not only to annuitants now on the roll but to Federal employees now working who look forward to the time when they hope to receive annuities.

As between extending the coverage of the act to persons not now covered by it and increasing the benefits to those already covered by

the act, we favor the latter. A number of resolutions were considered at our last national convention proposing to extend the coverage of the Civil Service Retirement Act. These resolutions were not adopted.

Resolutions were adopted which favored a survivor annuity without a deduction from the retiree's annuity, 30-year optional retirement, and increases in annuities based on increases in the Consumer Price Index. At the same time a very strong resolution was adopted in favor of maintaining the financial stability of the retirement fund and in favor of additional appropriations to the fund sufficient to put it on an actuarially sound basis.

We find discordant notes in the siren song that there should be no fear about increasing the liabilities of the fund on the theory that future appropriations will be made by the Government to take care of improvident increases in liabilities. We particularly think it is dangerous to waive a provision of law which now requires increased appropriations when liabilities are increased.

On the other hand, we strongly favor earlier optional retirement, provision for survivor annuities without reduction of the retiree's annuity, and cost of living increases in annuities. With reference to these matters, we think legislation should provide that there shall be no further impairment of the financial stability of the fund even in connection with the granting of benefits to people who already are covered by the provisions of the Civil Service Retirement Act as amended.

Mr. Chairman, I thank you and the members of the committee for the opportunity to present the views of our organization.

Senator McGEE. Thank you very much, Mr. Owen. There will be no questions.

(Subsequently Mr. Owen submitted the following additional statement:)

NATIONAL FEDERATION OF FEDERAL EMPLOYEES,
Washington, D.C., August 20, 1964.

HON. GALE W. MCGEE,
Chairman, Retirement Subcommittee of the Committee on Post Office and Civil Service, U.S. Senate, Washington, D.C.

DEAR SENATOR MCGEE: It is respectfully requested that the following be considered as a supplement to my statement on August 19, 1964, before your subcommittee at the hearing on S. 991, S. 2144, and S. 2184.

With reference to our statement that we strongly favor cost-of-living increases in annuities, we point out that this policy has been adopted by the Congress in the enactment of "Part III: Adjustment of Annuities" in Public Law 87-793 which calls for an adjustment when the Consumer Price Index rises 3 percent after the most recent cost-of-living adjustment. The obvious purpose of this provision in the law is to protect the purchasing power of an annuity.

This protection, however, was not afforded prior to the enactment of Public Law 87-793 and increases in the Consumer Price Index from 1956 have amounted to approximately 12 percent.

It would not only be logical but it would also be consistent with the purposes sought to restore the purchasing power which has been lost by those annuitants who began receiving annuities prior to 1956. We strongly urge such an adjustment in annuities.

However, with equal strength we also urge additional appropriations to the fund sufficient to put it on a sound basis actuarially. We think positive steps should be taken to pay the cost of such an increase in annuities or else future annuities for those who hope to receive them will be seriously jeopardized.

We strongly urge serious consideration of the figures presented to the subcommittee by the Chairman of the Civil Service Commission. A \$35 billion deficiency in funds to meet the potential liabilities of the civil service retirement system as determined by competent actuaries is a fact which should receive the

most carefully consideration of responsible men. When additional costs are incurred, funds should be provided to meet them.

In his testimony the Chairman of the Civil Service Commission stated that it was his estimate that the deficit would be increased by \$55 million by the enactment of S. 991; by \$245 million by the enactment of S. 2144; and by \$800 million by the enactment of S. 2184. The total would be a \$1,100 million increase in the deficit.

In testimony before the Subcommittee on Civil Service of the House Post Office and Civil Service Committee on August 12, Mr. John W. Macy, Jr., Chairman of the U.S. Civil Service Commission testified that the enactment of H.R. 2155 would increase the deficit by \$2,851 million.

The stability of the civil service retirement fund requires that when action is taken which will increase the liabilities of the fund, action should also be taken to provide the funds with which those liabilities can be paid.

Yours sincerely,

VAUX OWEN, *President.*

Senator McGEE. John McCart, the operations director, Government Employees' Council of the AFL-CIO.

You may proceed, Mr. McCart.

**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, appreciates the opportunity to comment on the three proposals pending before the subcommittee. We are grateful also to you, Mr. Chairman, and your colleagues for arranging this hearing.

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.

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

longtime 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 S. 2184. Sponsored by Senator Ralph W. Yarborough, 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.

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 S. 2144, introduced by Senator Maurine Neuberger is to apply this formula, which became effective in October 1962 to the pensions of retirees who elected survivorship benefits for their spouses before that date. These earlier reductions amounted to as much as 10 and 15 percent in the annuity of the Federal employee.

This meager income of annuitants and survivors today illustrates vividly the need for applying the 1962 formula retroactively when such annuities were much lower. 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.

As for S. 991, the council has no objection to its sympathetic consideration by the subcommittee. The views of unions associated with

our organization whose members would be affected by the proposal will be presented in their own statements.

Once more, Mr. Chairman, our sincere gratitude for making this forum available to present the council's reactions to the bills under consideration.

Senator McGEE. Thank you, John.

Mr. Lloyd Fuerstenau.

**STATEMENT OF LLOYD FUERSTENAU, FORMER PERSONNEL
OFFICER, GOVERNMENT OF SAMOA**

Mr. FUERSTENAU. Mr. Chairman, I am a Federal employee and I was the personnel officer for the Government of Samoa when civilian government was established there. As a Federal employee being paid by the Navy I effected the recruitment of a number of persons in Federal positions and reentered on duty in Samoa, but on July 1, 1951, the Federal status that we had was taken away from us by action of the Civil Service Commission.

Part of that argument that was given by the Commission was the fact that some of our salary was paid from other than Federal funds inasmuch as about 15 percent of the income of the Government of American Samoa came from local revenue.

Since that time a bill was introduced to correct this inequity by Senator Bartlett which was S. 706 of the 87th Congress, and I submit that S. 991 should be broadened to include those persons who served in American Samoa as outlined in this former bill.

Certain employees have since been covered under Federal positions in American Samoa and do have this coverage now. Those of us who went down to form the first civilian government under Governor Phelps-Phelps have had this service denied to us and I appreciated your statement that it is the intent of the Congress to correct inequity; a real inequity has existed and although it has been recognized by the Department of the Interior it has never been given any favorable action.

I would like to suggest, therefore, that in the definition in S. 991 that American Samoa be added to those areas that are defined as States and that reference to the appropriation acts which give the grant-in-aid for the Government of American Samoa be shown as the legislative authority for such action.

I would like to submit for the record a letter from the Department of the Interior, signed by D. Otis Beasley, dated July 24, 1959, addressed to Senator Bartlett, a letter which further explains these facts.

Senator McGEE. That letter will be included in the record.

(The letter to Senator Bartlett follows:)

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 24, 1959.

HON. E. L. BARTLETT,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BARTLETT: We have your letter of June 23 enclosing a copy of Mr. Lloyd E. Fuerstenau's letter with respect to his employment with the Government of American Samoa.

In anticipation of the transfer on July 1, 1951, of administrative jurisdiction from the Department of the Navy to the Interior Department, naval personnel

in American Samoa were being replaced prior to the transfer date by civilians recruited by the Department of the Interior and placed under contract to the Navy Department. On May 31, 1951, this Department requested the Civil Service Commission to confirm its opinion that those U.S. citizens recruited by the Department who had already entered on duty under contract to the Navy as replacements for naval personnel, as well as those who would enter on duty after July 1, 1951, under contract to the Government of American Samoa, were employees of the United States by virtue of performing a function of the Government of the United States. The Department's opinion was based on the fact that the Navy Department had regarded many of its employees as Federal employees for all purposes and on the fact that the Civil Service Commission had, on May 14, 1951, confirmed the Department's opinion that citizens recruited by the Department for employment in the trust territory were Federal employees. Representations to employees hired to replace naval personnel prior to the transfer were made in the expectation of a similar ruling.

On June 26, 1951, this Department was informed by the Civil Service Commission that these employees, with the exception of certain employees in the immediate office of the Governor, were not employees of the United States, but employees of the Government of American Samoa. This Department later requested the Commission to modify its conclusion, at least with respect to the employees recruited prior to the June 26 ruling. The Commission replied, however, that it could not do so.

The Commission's ruling, particularly taken in conjunction with a ruling by the Internal Revenue Bureau which required these employees to pay a Federal tax on their compensation, undeniably worked a hardship on Mr. Fuerstenau and the other employees involved, and we regret very much the circumstances which gave rise to this situation.

Should legislation on this subject be introduced, this Department will undoubtedly be requested to submit a report thereon. You may rest assured such legislation will receive our most careful consideration.

Sincerely yours,

D. OTIS BEASLEY,

Administrative Assistant to the Secretary of the Interior.

Senator MCGEE. And may I add I have had occasion to discuss this proposal while in Samoa a year and a half or 2 years ago, and I agree with your suggestion that there was a group that if anyone ever earned the right to be included under this it was certainly a group of that type. The kind of service that was being rendered there, and the committee will take that under advisement as well as an amendment to S. 991.

Mr. FUERSTENAU. Thank you very much. I feel a real personal responsibility having been the shepherd who led these innocent lambs to the slaughter and I hope we can rectify this error.

Thank you very much.

Senator MCGEE. Thank you, sir.

We have some other statements that have been submitted for the record at this time and we will include them in the record at the close. They are from Harold McAvoy, national president, National Association of Post Office Mail Handlers, Watchmen, Messengers, Group Leaders and Mail Equipment Operators; Lowell A. Burkett, assistant executive secretary, American Vocational Association, presented before the House committee on August 19, 1964; William T. Spanton, former member of the Education Branch, U.S. Office of Education; and Clyde R. Payne, secretary-treasurer, National Association of Agricultural Stabilization and Conservation Service County Employees. Others that will be submitted will also be printed.

(Subsequently the Department of Agriculture submitted its views on S. 991. The statement is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., September 2, 1964.

HON. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for a report on S. 991, a bill to amend the Civil Service Retirement Act to provide for the inclusion in the computation of accredited service of certain periods of service rendered States or instrumentalities of States, and for other purposes.

The Department recommends enactment of this bill was certain amendments.

Under this bill, employees who meet certain requirements would be given credit in computing their annuities under the Retirement Act for service rendered in any of six specified programs of work carried on by the Federal Government in cooperation with State governments. Five of the programs are administered by this Department in cooperation with the States; the sixth, administered by the Office of Education, relates in part to the Federal-State programs of vocational education in agriculture and home economics, both matters of direct concern to this Department.

It is believed that this bill would benefit the Federal Government by improving the cooperative programs on which it works with the States. This would be accomplished through its effects on the stability of employment and morale of present employees who were formerly employed by the States on such programs and by our enhanced ability hereafter to recruit professional, scientific, technical, and administrative personnel into positions in the Department that require knowledge of and experience in collateral State operations.

While the number of specialists needed to be recruited in this way from the States is not large, each case is of critical importance. It should also be pointed out that this legislation might at times facilitate the movement of specialized personnel from the Federal to State governments. Enabling State legislation could further increase this free movement of personnel on joint programs. At the present time, absolute separation between the retirement systems is an obstacle to interchanging employees between States and the Federal Government.

Perhaps the following statement taken from among comments received from agencies within this Department will illustrate the use and value of the proposed legislation in our work with the States:

"The Cooperative State Experiment Station Service is in favor of S. 991 * * *. Our primary reason for support of this proposed legislation is that it will help in the recruitment, retention, and exchange of top-level staff of the State stations and this Service * * *. This Service works closely with the State agricultural experiment stations in the administration of the Hatch Experiment Station Act, and we believe that a part of our staff should have State station experience * * *. Professional competence has always been the top criterion for staff selection. Administrators of our Office in the past have had to draw more heavily from scientists already in the Federal service because scientists of equal caliber at the State stations often could not be induced to accept positions with our group due to loss of salary and fringe benefits for years of State service * * *. We also believe that large, medium, and small stations should be represented on our staff, which is not now the case. Only one CSESS staff member came from a station which is among the largest 15 stations in terms of total research expenditures, and this station is in the third quartile of relative rank in professional salaries. We have had to recruit primarily from stations offering low salaries, or which are close to Washington * * *. We are directed by statute to require reasonable standards for Federal-grant supported research at the State stations and to improve coordination of agricultural research among the stations and with the Federal Government. We negotiate for improvement of Federal-grant research well above minimum standards, and for upgrading of research supported by non-Federal funds. Particularly in view of the fact that the non-Federal funds have been growing at a faster rate than Hatch and AMA funds, it is of increasing importance that our staff members be of such high caliber that they merit the respect and confidence of the very best scientists at the State stations and in USDA * * *. With the improvement of staff salaries and retirement systems and other auxiliary benefits at the State stations, it has

become increasingly difficult for us to recruit CSESS staff replacements of sufficiently high caliber from any State station and especially from the leading State stations * * *."

A different type of situation in which the proposed legislation, if amended, would be of value is illustrated by the following comment from another agency of this Department:

"We believe that there are * * * areas in which (former) cooperative employment with a State or other political subdivision should be creditable for Federal retirement. An example of such service would be Federal-State employees in commodity inspection and grading programs. Here the employee (1) holds some type of Federal appointment or license, (2) he is selected jointly by the cooperators and his pay is determined by mutual agreement, (3) he is under the technical supervision of a full-fledged Federal employee, and (4) he is applying Federal grades and standards and issuing certificates that are as valid and carry the same authority as if he were strictly an employee of the Federal Government * * *."

In order to make periods of service as inspector or grader under such conditions subsequently creditable for Federal retirement purposes under the provisions of S. 991, we propose that S. 991 be amended by striking the entire introductory paragraph of the proposed new subsection (k) and substituting therefor the following:

"Subject to the conditions contained in this subsection, any employee or member who is serving in a position within the purview of this Act at the time of his retirement or death shall be allowed credit for all periods of service, not otherwise creditable, performed by him in connection with inspection and grading work pursuant to the authority contained in the annual Department of Agriculture Appropriation Act under the item 'Market Inspection of Farm Products,' under agreements to which the Federal Government was a party, or performed by him (except for those periods in which the record shows he was certified as being eligible for relief) in the employ of a State, or a political subdivision thereof or of any instrumentality of either in the carrying out of * * *."

In addition to providing coverage under S. 991 for the inspectors and graders, the foregoing proposed amendment would: (1) insure that ASC County Committee employees who are covered under Federal retirement would also be eligible to receive credit for the service to be made creditable by this bill; (2) eliminate the possibility that time spent on relief project work would be creditable under the Civil Service Retirement Act.

A second amendment which we propose is to add at the end of subsection (k) (5) the following: "the Cooperative Forest Management Program [Act of August 25, 1950, as amended (16 USC 568 c, d)]: and operations under the Forest Pest Control Act [Act of June 25, 1947 (16 USC 594-1 through 594-5)] and their predecessor programs."

A third amendment which we propose is to add after paragraph (6) of subsection (k) a new paragraph (7) to read as follows: "(7) the Federal-State cooperative program in marketing service and research authorized by the Agricultural Marketing Act of 1946, as amended (7 USC 1621 et seq.) and predecessor programs."

A fourth amendment which we propose is to add at the end of S. 991 a new section 3, to read as follows:

"SEC. 3. Notwithstanding any other provision of law, benefits under the Civil Service Retirement Act resulting from the operation of this Act shall be paid from the Civil Service Retirement and Disability Fund."

The object of this fourth proposed amendment would be to authorize the payment of benefits that would result from operation of S. 991 from the civil service retirement and disability fund. We are advised that such authorization should be specified in order to assure that benefits would be funded. The object of the proposed second and third amendments is to include certain Federal-State cooperative programs that are administered by this Department that are not in the present draft of S. 991.

We have pointed out above that S. 991 as written covers six Federal-State cooperative programs of direct concern to this Department. We would call attention to H.R. 5376 which would cover nine additional Federal-State cooperative programs, one of which (subsection (k) (13) is administered by this Department, and eight of which are administered by other Departments. We are advised that there are two more relatively small programs that would qualify under the same criteria, to be discussed below. Our reason for mentioning these

various other programs, apart from the fact that this department administers one of them, is that a major objection to similar legislation in the past has been that it would establish a precedent to which there would be no practicable limits.

It is our position that precedents for this type of legislation have already, in fact, been established, that they have benefited the employees and programs involved, and that there are clearly definable limits to further extension of Federal retirement coverage under similar circumstances if the criteria heretofore guiding such extensions and proposed extensions are noted and adhered to. Pending the possible working out with the States and other public jurisdictions of some system of interchangeable credits for retirement and other fringe benefits, we would propose that credit toward Federal retirement be limited to service under programs that meet the criteria under "1" following, and to individuals who meet the requirements listed under "2" below:

1. Proposed criteria for programs:

(a) The program should be authorized and designated as cooperative in nature by act of Congress.

(b) The program should be supported in whole or in part by funds appropriated by Congress. There should also be a clear recognition of mutual (that is, Federal-State) interest in and responsibility for carrying out the program.

(c) The program should be subject to standards, regulations, and operating procedures as provided by the authorizing act and/or by the Federal agency administering the act.

(d) The program should be permanent and continuous in nature and be carried on in the States by personnel whose qualifications meet the requirements of related jobs in the administering agency or other agencies of the Federal service, thereby facilitating freer interchange of employees between Federal and State Governments.

2. Proposed requirements governing eligibility of individuals:

(a) The employee or member must have not less than 5 years of allowable service under the Federal Retirement Act exclusive of the Federal-State service.

(b) The Federal-State service must be certified in a form prescribed by the Civil Service Commission or an agency official designated for the purpose.

(c) The employee or member must deposit at the prescribed interest rate to the credit of the Federal retirement fund the amounts which would have been deducted were his Federal-State experience originally covered under the Federal retirement program.

(d) The Federal annuity would be reduced by the amount of any State annuity which an employee or member receives from a State retirement fund.

(e) The employee or member should not receive credit under this bill for those periods in which the record shows the employee or member was certified as being eligible for relief.

The six programs covered by S. 991 meet the criteria listed under "1" above. The additional programs which we propose to add by amendment also meet these criteria. S. 991 also prescribes conditions governing the eligibility of individuals which conform generally to those listed under "2" above. It is estimated that if S. 991 is enacted, with the amendments suggested herein, a maximum of some 7,000 present employees of this Department may be eligible to benefit. It is not likely that this number would have their Federal-State experience credited toward Federal retirement, however, because: (1) some will not have the required 5 years of regular Federal civil service experience; (2) others will not pay up for the back time; and (3) still others will not be able to get the claimed Federal-State service certified. A total of about 6,000 present employees of this Department might, therefore, reasonably be expected to take advantage of and benefit by this legislation. Of these a substantial proportion came into the Department during prewar depression years. They provided much of the knowledge and experience needed at that time to help launch and carry on the new agricultural and conservation programs then getting underway.

It is estimated by the National Association of Federal-State Employees that a total of approximately 4,000 additional employees in other agencies of the Federal Government might benefit if similar legislation which meets the criteria and requirements listed above were enacted. If this estimate is correct, the

grand total of Federal employees who might benefit would probably not exceed 11,000 and would more likely be less than 10,000. We mention this in support of our earlier statement that there are clearly definable and reasonable limits to the extension of Federal retirement coverage in this way.

Precedents for giving credit for service under related circumstances have been set by previous actions of the Civil Service Commission. Beginning in 1938, the Civil Service Commission has made several interpretations of the Retirement Act that have resulted in extensions of coverage to 13,493 persons employed under the Federal-State cooperative agricultural extension program as of February 28, 1963. These people work in the various States and counties as joint representatives of the land-grant colleges and the U.S. Department of Agriculture. The Commission also authorized retirement credit for certain employees in the State agricultural extension services who later entered the Federal classified service. Coverage was further extended by the Commission under minute 2 of September 30, 1957, which reads as follows:

"For civil service retirement and related purposes, credit shall be allowed for a period of service under the Federal Extension Service, Department of Agriculture, during which the individual performed Federal functions under a Federal-State cooperative agreement, was under Federal supervision, and was named in a plan of work and budget document formally approved, before January 1, 1945, by the Extension Service."

Subsequent to the foregoing actions by the Commission, retirement coverage has been extended to persons employed by county agricultural stabilization and conservation committees in the several States. This was done by enactment of section 115 of Public Law 568, 86th Congress, approved July 1, 1960. We wish to make clear that these employees are not engaged on cooperative Federal-State work of the type discussed generally in this report. Action by the Congress to extend them retirement benefits indicates, however, a clear appreciation of the need to provide equivalent benefits to these fringe groups who are carrying out programs that are essentially Federal in nature. A total of 16,162 county committee employees were covered under the Federal retirement system in this way as of March 31, 1963.

The foregoing precedents, set by administrative action of the Civil Service Commission and by legislative action of the Congress, have given Federal retirement benefits to nearly 30,000 present employees of State, county, or other local instrumentalities that are engaged in work under varying forms of cooperation with and supervision by this Department in carrying out programs authorized by the Congress. Enactment of S. 991 would redress the inequities brought about as a result of these precedent actions by giving retirement benefits to some 6,000 present employees of this Department, not covered by the previous actions, who formerly worked under generally similar conditions. It would continue to provide such benefits to a relatively small number of persons to be employed from time to time hereafter.

For reasons stated, we recommend favorable action by your committee on S. 991.

The Bureau of the Budget advises that, while there is no objection to the presentation of this report from the standpoint of the administration's program, it should be noted that the Bureau has strongly urged the committee not to give favorable consideration to S. 991 for the reasons set forth in its letter of June 18, 1964, to the committee and also in a similar report of the Civil Service Commission.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

Senator McGEE. I have discussed with the chairman of the full committee, Senator Johnston, the possible schedule for getting these bills ready for the full committee so that we might get action on them with a minimum of delay. In order that we may continue to expedite that possibility we would like to keep the record open only until Friday of this week. We will keep the record open for the filing of any additional statements any group may have in mind and if submitted to the staff they will appear along with those statements that have been submitted here this morning.

We cannot guarantee how far we may get with the Senate, or what our brethren on the House side may do on these bills, but I assure you that the subcommittee chairman has every intention of pressing these along yet this session, if that remains physically possible.

There are no other witnesses this morning.

I want to thank all of you here who have been so cooperative in enabling us to get under the time limit, because we are trying to get in some last minute things on several different committees at the present time in this last minute rush, and we wanted to take every precaution that we would have the opportunity to move these along if we can. That is the reason that we have taken this morning for the occasion.

As a matter of fact, we had a primary in Wyoming yesterday and it was my every intention and I suppose good business to be there for that, but because there was no other time left when we might have pressed these matters along, it seemed to me that the primary could take care of itself and we would do whatever little we could do to move these bills along.

Thank you very much.

The subcommittee is adjourned.

(Thereupon, at 11:45 a.m. the subcommittee was adjourned.)

(The statements submitted are as follows:)

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

Mr. Chairman and members of this subcommittee on S. 2184, S. 2144, 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 refinancing of the civil service retirement fund along the lines as 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.

STATEMENT OF LOWELL A. BURKETT, ASSISTANT EXECUTIVE SECRETARY, AMERICAN VOCATIONAL ASSOCIATION, BEFORE THE HOUSE POST OFFICE AND CIVIL SERVICE SUBCOMMITTEE, AUGUST 19, 1964

Mr. Chairman and members of the subcommittee, my name is Lowell A. Burkett, and I am the assistant executive secretary of the American Vocational Association, a national professional organization of approximately 35,000 vocational education teachers, supervisors, and administrators in the United States. Recognizing the great need to recruit and maintain capable leadership in the Division of Vocational and Technical Education of the U.S. Office of Education, the house of delegates of the American Vocational Association approved a resolution pertaining to this matter at its last annual meeting in Atlantic City, N.J., on December 12, 1963. May I state at the time that this resolution was passed,

H.R. 4955 was pending but on December 18, 1963, it was enacted into Public Law 88-210. The urgency of the proposed legislation under S. 991 is much more acute now with the enactment of Public Law 88-210.

Following is the resolution passed by the house of delegates of the American Vocational Association:

"Whereas pending legislation, H.R. 4955, carrying authorization for greatly increased Federal appropriations for vocational education necessitates the recruitment by the U.S. Office of Education of many additional employees who are highly qualified through training and experience to assist in the overall administration of the expanded program; and

"Whereas the only available source of supply for such individuals is in the several States where they are presently employed under the provisions of the National Vocational Education Acts; and

"Whereas many of these individuals are reluctant to enter the Federal service unless the time they spent as employees of the Federal-State cooperative programs of vocational education in their respective States is recognized as Federal employment for Federal retirement purposes; and

"Whereas the U.S. Civil Service Commission through administrative action has, for several years, recognized time spent as a State or county agricultural extension worker, as Federal employment for U.S. civil service retirement purposes; and

"Whereas Public Law 586 of the 86th Congress provides that 'persons employed by the county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act' in the several States are made eligible to participate in the benefits of the U.S. civil service retirement system and in Federal group life and health insurance programs; and

"Whereas similar recognition for previous service as a State or local employee in the Federal-State cooperative program of vocational education has been denied consistently by the U.S. Civil Service Commission; and

"Whereas further legislation by the Congress is sorely needed to facilitate the recruitment and retention of desirable professional employees in the Vocational and Technical Division of the U.S. Office of Education and to correct these serious and discriminatory inequities and injustices: Therefore be it

Resolved, That an appropriate bill be prepared and vigorously sponsored by the American Vocational Association, and arrangements be made to have it introduced in both the U.S. Senate and House of Representatives immediately after the Congress reconvenes in January 1964; and be it further

Resolved, That the executive secretary of the American Vocational Association, use every appropriate means at his disposal to secure, through favorable action by the Congress and Presidential approval, the enactment into law of this much needed and long neglected legislation; and be it further

Resolved, That State directors, supervisors, teacher trainers, and all vocational educators in the several States, be urged to cooperate with the national office of the American Vocational Association by advising their U.S. Senators and Congressmen of the great importance of this proposed legislation and their personal interest in it, and by requesting community, county, and State organizations which are friendly to vocational education to do likewise, when requested to do so from time to time."

We feel that the provisions of S. 991 will accomplish what was intended in the resolution and therefore wish to go on record as supporting this proposed legislation.

The passage of S. 991 would greatly facilitate the recruitment and employment of highly qualified persons with the professional and technical training needed to assist in planning and administering the "Vocational Education Act of 1963."

A major responsibility now faced by the Division of Vocational and Technical Education is that of recruiting a competent and experienced staff. This responsibility includes providing assistance to the States in the improvement, further development, and evaluation of on-going programs and for the development of new programs to meet the educational needs of persons of all ages. The problem of recruitment has become increasingly difficult in recent years.

The only source of experienced personnel for recruitment in vocational education must be obtained from the State departments of education or from the colleges and universities. Federal employment must be made attractive enough to obtain competent personnel. Due to the fact that most States have liberal retirement systems for their employees and that many of these systems also

provide social security coverage, the total retirement benefits they receive are comparable to those provided under the civil service retirement.

One of the problems encountered by the Vocational Division when it attempts to employ highly qualified personnel is the fact that many of these persons would lose the retirement privileges that they have built up in the States. If they accepted Federal employment it would be necessary for them to start anew in building tenure credit toward retirement. In recent years a number of highly qualified persons have refused Federal appointments in this Division due to this fact. Therefore, there is an urgent need for the passage of this legislation.

This problem is also shared by other departments of Government that cooperate in the promotion of vocational education. These include the Departments of Labor, Commerce, and Agriculture. The Nation is being called upon to provide national counsel and leadership to many other nations in the field of vocational and technical education. Therefore, it is important that we obtain the most competent persons available to serve on the national level so that leadership can be given not only to the States but to other nations as our aid is requested.

This legislation would correct one of the most serious and discriminatory inequities and injustices that exist among certain groups of Federal employees. This is true since retirement credit for previous service in a State as a State or county agricultural worker has been granted for several years by the U.S. Civil Service Commission through administrative action. The Smith-Hughes (Vocational Education) Act of 1917 and the Smith-Lever (Agricultural Extension Service) Act of 1914 are so similar that either act could, with only minor changes, be substituted for the other.

Mr. Chairman, the American Vocational Association urges the passage of S. 991.

Thank you.

STATEMENT OF WILLIAM T. SPANTON, HYATTSVILLE, MD., ON S. 991

My name is William T. Spanton. I am the "retired director" of the Agricultural Education Branch, U.S. Office of Education, and am submitting this statement in support of S. 991. However, because of my personal background of training and 42 years of experience in vocational education, most of my statement is devoted to a justification of this proposed legislation on behalf of persons engaged in, or with previous experience in, vocational education.

This bill has the endorsement of approximately 65,000 teachers, State supervisors, teacher trainers, and State directors of vocational education in agriculture, trades and industries, home economics, and distributive occupations and the 44 professional employees in the Vocational and Technical Education Division of the U.S. Office of Education. Most of these educators are members of the American Vocational Association.

Similar bills were reported out favorably by both the House and Senate Committees on Post Office and Civil Service during the latter part of the 2d session of the 87th Congress, but were not brought to a vote in either the House or Senate due to adjournment of the Congress.

This proposed legislation is long overdue. It would correct one of the most serious and discriminatory inequities and injustices ever perpetrated, unintentionally no doubt, but allowed to exist for many years among certain groups of Federal employees. This is true, since retirement credit for previous service in a State, as a State or county employee in agricultural extension work, was granted several years ago by the U.S. Civil Service Commission through administrative action. Credit for similar previous service in the States in the Federal-State cooperative program of vocational education, has been consistently opposed by the U.S. Civil Service Commission. In addition, section 115 of Public Law 568, 86th Congress, approved July 1, 1960, provides that "persons employed by the county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act" in the several States are eligible to participate in the benefits of the U.S. civil service retirement system and in Federal group life and health insurance programs.

Mr. John W. Macy, Jr., Chairman of the U.S. Civil Service Commission, has stated that: "This system (the U.S. civil service system) was created exclusively for the retirement of Federal and District of Columbia employees. It was designed to provide retirement benefits as postemployment recognition for faithful service to the United States as an employer." He stated further that "we are opposed to any proposal which departs from the concept that retirement credit is

proper only where the employer-employee relationship existed between the Government and the individual."

If that is the policy of the Commission, then why did it adopt minutes 1 and 2 on November 29, 1938, authorizing U.S. civil service retirement credit for certain State employees in agricultural extension services, who later enter the Federal classified service? And why were minutes 3 and 4 of July 29, 1944, adopted by the Commission which provided that those persons who are employed in the several States by land-grant colleges as agents or collaborators in the Federal-State Cooperative Agricultural Extension Service be eligible for Federal retirement benefits?

S. 1041 enacted by the Congress in 1955 but opposed by the Civil Service Commission and vetoed by President Eisenhower, would have extended Federal retirement benefits to Federal employees previously employed by the States in six distinct types of Federal-State cooperative programs. This bill was apparently vetoed by President Eisenhower in 1955 on the advice of certain staff members in the executive branch who had little understanding of Federal-State relations.

It seems quite germane therefore to point out that just 2 years after the vetoed legislation of 1955, the U.S. Civil Service Commission through administrative action in 1957, adopted minute 2, which retroactively permitted several employees in the U.S. Department of Agriculture to apply for, and receive, Federal retirement credit for previous State employment in the Agricultural Extension Service of their respective States. This credit had not been previously granted by the Congress nor administratively by the Commission.

It is, therefore, quite difficult to comprehend the equity of such actions on the part of the U.S. Civil Service Commission, which in 1957 administratively extended Federal civil service benefits to one group of State employees (agricultural extension workers) to whom it formerly denied such benefits, while simultaneously denying the same consideration to other comparable groups, such as employees in the Federal-State cooperative program of vocational education. It is a fact that the basic legislation authorizing agricultural extension work (Smith-Lever Act of 1914) and the legislation authorizing vocational education (Smith-Hughes Act of 1917) paraphrase each other. If there is any difference in them, any unbiased reader would have to admit that there are a great many more Federal controls and standards spelled out specifically in the Smith-Hughes Act of 1917 than in the Smith-Lever Act of 1914.

There is no desire on my part, nor on the part of anyone I know, who is interested in this proposed legislation, to discredit the Civil Service Commission, nor to criticize the Agricultural Extension Service in regard to these administrative decisions. In fact, we congratulate the Civil Service Commission for its liberal interpretation and administration of the Civil Service Retirement Act, insofar as it relates to the Agricultural Extension Service of the U.S. Department of Agriculture. I would be the last to recommend a reversal of this policy, even though employees in other departments of the Government have been unable so far to secure, through legislation or administrative action, equitable recognition for State experience in almost identical types of Federal-State cooperative programs.

It should be noted that S. 991 does not seek in any way to secure U.S. Civil Service retirement benefits for individuals, so long as they are presently employed by the several States in a Federal-State cooperative program. All that is sought is the right for such individuals, after they have spent a minimum of 5 years in the Federal service as a regular civil service employee, and after they have paid into the retirement fund a sum with interest compounded, equal to the aggregate of the amounts that would have been deducted from their basic pay during their period of service in a State, in one of the Federal-State cooperative programs, to be allowed credit toward their Federal retirement for the time spent by them in the States on a Federal-State cooperative program, financed in whole or in part from Federal funds.

Some persons have stated that this proposed legislation might bring into the Federal retirement system many thousands of additional beneficiaries. This statement is extremely misleading. For instance, there are at present over 10,000 teachers of vocational agriculture in the United States, but everyone knows that only a very small percent of them would ever enter any branch of the Federal service. They would not be beneficiaries of this proposed legislation unless and until they actually enter the Government service as regular civil service em-

ployees, and not then, until after they have served at least 5 years as a U.S. Government civil service employee.

It has been reliably estimated that there would be no additional financial drain on the civil service retirement and disability fund for a period of 5 years if this bill passes the Congress and is signed into law by the President. This is due to the fact that the amounts plus interest compounded and paid into the civil service retirement and disability fund by those Federal employees who qualify for the extra years of State service would compensate for the additional annuities they would receive during the 5-year period.

I trust that your committee and the Congress will see the justice of our request and give this much-needed legislation your favorable consideration.

STATEMENT OF CLYDE R. PAYNE, SECRETARY-TREASURER, NATIONAL ASSOCIATION OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE COUNTY EMPLOYEES (NASCOE) ON S. 2246

I am Clyde R. Payne, Hamilton County ASCS office manager, Jasper, Fla., and secretary-treasurer of the National Association of ASCS County Employees.

The National Association of Agricultural Stabilization and Conservation Service Employees (NASCOE) is a voluntary organization of county Agricultural Stabilization and Conservation Service Employees—hereafter referred to as ASCS employees. Approximately 92 percent of ASCS employees are members of NASCOE. The sole purpose of this organization is to promote the welfare of its members. Each State of the United States, except Alaska and Hawaii, has a State organization of ASCS county employees and is affiliated with NASCOE. Each State affiliated with NASCOE has two members on the board of directors. NASCOE has national officers and an executive committee representing the six ASCS geographic areas of the United States.

The recent national convention elected the following officers for the new year:

Area	Name	City	State
Southwest.....	R. L. Christensen.....	Red Bluff.....	California.
Northwest.....	Jerry Rees.....	Spokane.....	Washington.
South-central.....	Jack Gipson.....	Walnut Ridge.....	Arkansas.
Southeast.....	Ralph Farr.....	Union.....	South Carolina.
Northeast.....	Evelyn Yeagle.....	Collegeville.....	Pennsylvania.
Midwest.....	Ray Vanderhorst.....	Bussey.....	Iowa.
President.....	Woodrow Jones.....	New Boston.....	Texas.
Vice President.....	Joy Flud.....	Durant.....	Oklahoma.
Secretary-Treasurer.....	Clyde R. Payne.....	Jasper.....	Florida.

All officers, committeemen, etc., are ASCS employees with no salaried personnel but we do have, on a retainer basis, Mr. Dillard B. Lasseter, Post Office Box 381, Washington 4, D.C., who keeps us advised on legislative activity and assists us in legislative work.

The Agricultural Stabilization and Conservation Service employees carry out various Federal programs assigned to them by the Congress, Secretary of Agriculture, Executive orders, etc. The headquarters for ASCS is in the U.S. Department of Agriculture Building, Washington, D.C. There are, also, State and county ASCS offices who administer only Federal programs. County, city or State governments have no connection with the National, State or county level of ASCS.

ASCS employees on county level administer directly to farmers of the United States a great number of the complex USDA farm programs such as the soil bank, agricultural conservation marketing quotas (tobacco, cotton, wheat, peanuts, and rice) commodity credit loans, wool incentive payments, sugar, feed grain, etc. This is practically all the action programs of USDA.

I bring to your attention the programs we administer to merely emphasize we are Federal workers, administering only Federal programs.

In asking for enactment of S. 2246 we feel we are not requesting special treatment. We are only asking for the same advantages other people performing Federal work receive automatically.

We in the county and parish offices do very much the same work as is done by our coworkers in our State and Washington offices. We go one step farther. We deal directly with our farmers and the general public. This "ground level"

experience is considered of great value to our State and Washington offices. When there is a need for a replacement in their offices, particularly the State offices, they look to the parish and county offices for already trained and experienced replacements.

When a county or parish employee with many years of service accepts a so-called promotion in the State or Washington offices he in a manner starts over again as far as leave and retention rights are concerned. He is given less consideration than the employee, fresh out of school, who started a few months before. Therefore, the well-trained and experienced employee with several years service is very reluctant to accept the promotion. This is particularly so if he were above step 1 of his grade and had to take a cut in salary.

I personally know of one instance (I have heard of many others) where a county employee turned down a promotion, from the equivalent of a GS-9 rating to a GS-11 rating, in his State office.

This employee is in his early 40's. He has better than 20 years service. Sometime before the offer, he had been hospitalized with a hemorrhaging ulcer of the stomach. He felt that this could happen again. If he took the State office job and it did occur before he could build up his sick and annual leave, he and his family might well find themselves without an income.

Some time ago an administrator in the USDA informed me that he felt a need for personnel trained in county offices. He felt that their grassroots experience would be of great value to his Department. He had been trying for some time but at that time he had been able to recruit only one ex-office manager.

The passage of this bill will have a long-lasting beneficial effect on our Government. In my State office there are many employees near the retirement age. In a few years they will begin to retire. It certainly would be more practical and economical for the Government to replace them with trained replacement from our county offices.

In conclusion, we would like to say thank you for the past consideration you have given us and hope you will favorably act on S. 2246 to grant what we feel is a justifiable privilege to our county ASCS employees and at the same time assist USDA to recruit competent trained personnel.

STATEMENT OF T. S. BUIE, COLUMBIA, S.C., IN SUPPORT OF S. 991

I am T. S. Buie, a retired employee of the U.S. Department of Agriculture, now living in Columbia, S.C.

Prior to my employment with the Federal Government I was for some 6 years a member of the staff of the South Carolina Experiment Station. During this period I was engaged in activities carried out as a joint Federal-State endeavor. In fact, for a portion of the time I was paid from Federal funds but as they were disbursed by the experiment station treasurer they had lost their identity as such. No credit toward either Federal or State retirement was secured as South Carolina at that time had no retirement program.

There are a number of individuals, like myself, who would benefit from the passage of this bill. Some are still employed and others have recently retired.

Passage of S. 991 would:

1. Correct an inequality and injustice of long standing.
2. Make possible the earlier retirement of numerous Federal employees.
3. Enable the Federal Government to secure the services of well-trained employees who would not sacrifice their State retirement benefits to accept such employment.

I urge, therefore, that favorable consideration be given by the Senate Post Office and Civil Service Committee and by the body of the Senate to the passage of this bill.

STATEMENT OF FLOYD E. HUFFMAN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

Mr. Chairman, my name is Floyd E. Huffman. I am president of the National Rural Letter Carriers' Association representing 42,000 regular, retired, and substitute rural carriers. I am accompanied by John W. Emeigh, secretary of our organization.

This organization is most appreciative of the hearings which are being held today on various bills to liberalize the Civil Service Retirement Act. We com-

mend the chairman of the full committee, Senator Olin D. Johnston, and you, Senator McGee, for scheduling hearings on S. 991, S. 2144, and S. 2184. This association is pleased to offer our comments and recommendations.

S. 991, introduced by Senator Olin D. Johnston, would extend civil service retirement coverage to include employees under six State programs where Federal funds were used for full or part payment of the services performed. One of the problems presented by this proposal is the fact that there are numerous other programs of a similar nature which are not included in this bill. This association supports liberalization of the Retirement Act and does endorse this extension of coverage. We do believe, however, that a definite policy statement, relative to whatever further extension of coverage may be approved by the committee, would be helpful. This would make the intent of Congress quite clear and preclude misunderstanding as to why certain programs are deemed to constitute creditable service under the Retirement Act while others of a similar nature are not.

We are especially pleased to give our full support to S. 2144, introduced by Senator Maurine Neuberger of Oregon. This bill would amend the Civil Service Retirement Act to provide recomputation of annuities of retired employees who elected reduced annuities at the time of their retirement in order to provide survivor annuities for their spouses. It would result in those employees who provided survivorship annuities at the time of retirement to benefit from the presently liberalized joint and survivorship option which became available October 11, 1962, under the provisions of Public Law 87-793. This would set the cost of providing a survivorship annuity, for all who elected this protection at the time of retirement, under the provisions of current law which are 2½ percent of the first \$3,600 of earned annuity, plus 10 percent of the amount of the earned annuity over \$3,600; and also increase survivorship annuities from 50 to 55 percent of the amount elected by the retiree as the survivorship base. This is a highly desirable amendment to the act. We commend Mrs. Neuberger for introducing the bill and also for personally appearing before your committee to urge approval. Enactment of this legislation would eliminate an inequity which does exist by setting a uniform cost factor for all retirees who have elected survivorship benefits. By eliminating this inequity, it would result in increases in the annuities of those retirees affected ranging, in most cases, to amounts of \$100 and less, but in others—depending under law in effect at the time they retire—to considerably more.

This association is strongly of the opinion that the act should be amended to provide a survivorship annuity without deduction, but if this amendment is not possible at this time, we most certainly do urge the committee to favorably report the Neuberger bill which is a big step in the right direction.

S. 2184, introduced by Senator Ralph Yarborough, of Texas, is the bill under consideration by the committee which, in our opinion, is of paramount importance. This bill would provide a general increase in retirement annuities on a graduated scale ranging from 9 percent for annuities of \$1,800 or less, down to 3 percent for annuities \$3,801 or more, and would provide that these increases be applied to each of the annuitant's survivors after his death.

Part III of Public Law 87-793, approved October 11, 1962, provided an increase of 5 percent in annuities effective January 1, 1963, and afforded increases ranging from 4 percent down to 1 percent in all annuities commencing in the 4-year period following January 1, 1963. In addition, Public Law 793 also amended the Retirement Act to provide cost-of-living adjustments based on rises in the Consumer Price Index. Under this provision the Commission determines annually, after each January 1, the percentage change in the index and are authorized to effect increases in annuities as of April 1 of any year after the percentage change in the price index has equaled a rise of at least 3 percent. Such increases would then apply to all annuities which commenced earlier than January 2 of the preceding year.

As was noted by John W. Macy, Jr., Chairman of the U.S. Civil Service Commission, when he testified before your committee, this as a significant provision and does provide a rather positive, permanent plan to assure that the purchasing power of the annuity dollar will be maintained in the future. The advantages of this, however, are negated to a great extent by several factors. It does not take into consideration the plight of the annuitant whose total yearly income

is so low that such negligible upward changes in the amount of annuity would continue to be insufficient. The bare facts are that some annuities are so low that it is just not possible to apply any formula tied to changes in cost of living. This applies particularly to those who retired years ago. The salary base used to determine their annuities just cannot be reconciled on a cost-of-living basis under the Consumer Price Index because that salary base has drastically changed in recent years. The only way the financial squeeze of these people can be alleviated is by a direct percentage increase in the amount of annuity they receive. This association strongly believes that this is the only fair, just way to correct the current situation. We do earnestly urge that the committee favorably consider the Yarborough bill. We also urge that the formula for subsequent increases as provided by Public Law 793 be continued.

We are appearing before you today urging liberalizations in the retirement system. We are not unmindful of the cost factors involved in each liberalization, nor do we fail to recognize the current \$35 billion actuarial deficiency in the fund at the present time. We do not believe, however, that the problem of our annuitants can be resolved solely on a dollar-and-cent analysis of cost. Their need must be met by a humane approach, based upon an assumption that the U.S. Government has a responsibility to its former employees in helping them maintain a reasonable standard of living in retirement. In subscribing to this, and in urging action of your committee to make this a reality, we also want to recommend serious consideration of legislation to strengthen the financial condition of the retirement fund. This association last year supported the bill of Senator Johnston (S. 176) which made provision to strengthen the financing of the retirement fund. We believe that this is necessary legislation and want to advise the committee that this association will continue to support that proposal, or any other reasonable proposal to assure financial stability of the retirement fund.

Mr. Chairman, members of the committee, we do appreciate this opportunity of submitting testimony on these bills. In view of the tight legislative schedule we do urge the speediest possible action and would hope that we may see enactment of retirement increases and these other liberalizations before this 88th Congress adjourns.

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

I am John G. Brady, chairman of the Legislation Committee of the National Association of Internal Revenue Employees. Our association of over 27,000 members, strongly urges and recommends the enactment of S. 991, S. 2184, and S. 2144.

S. 991: This bill would give proper credits for retirement purposes for the past service in 15 different State or county programs that were financed in full, or in part, from Federal funds.

We strongly endorse this legislation.

S. 2184: In 1962 you provided a 5-percent increase for these annuitants. I was of the opinion that that increase was regrettably but necessarily small at the time the legislation was passed. You also provided in the legislation for a cost-of-living increase when the Consumers Price Index went up 3 percent. This adjustment will require about 3 years.

This bill will help the people with small annuities. I think this bill is good legislation, and I hope the Congress will consider it favorably before adjournment.

S. 2144: This legislation would end the present system whereby retiring Government employees must assume a cut in their annuity in order to designate their spouse for survivorship annuity. Under this bill employees would not have to take a cut in their annuity in order to provide for their spouse. We must assist the retiree, keeping in mind they are on a fixed income. We endorse S. 2144 and trust the Congress will seriously consider this bill before adjournment.

I appreciate the opportunity of presenting this statement, and extend my sincere thanks to the chairman and his committee.

STATEMENT OF DR. ROY E. WILLIE, EMPLOYEE OF THE INSPECTION BRANCH OF THE POULTRY DIVISION, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ON S. 991

My name is Roy E. Willie. I am a veterinarian employed as Chief of the Inspection Branch of the Poultry Division, Agricultural Marketing Service, U.S. Department of Agriculture. I am appearing in my behalf and wish to speak in support of S. 991, and also request that consideration be given to amending S. 991 to include poultry inspectors employed in the voluntary poultry inspection program conducted by the U.S. Department of Agriculture under Federal-State cooperative agreements during the years 1927 to 1939 inclusive.

BASIC PROVISIONS

Basic provisions of S. 991 would amend the Civil Service Retirement Act to enable present and former U.S. civil service employees, employees of Congress with 5 years or more of Federal retirement credit to include in their retirement credits those periods of service in the six cooperative Federal-State programs named by the bill.

I do not believe this bill should stop at the inclusion of only six programs. Therefore, it is my request that consideration be given to permitting Federal employees such as I was during the period 1929 through 1939 to be allowed credit under the Civil Service Retirement Act for periods of service performed by him as an employee of a State, political subdivision thereof, or any instrumentality of either primarily in the carrying out of programs authorized by act of Congress and financed in whole or in part by Federal funds.

HISTORY

For some years a small group of poultry inspectors who were employed during the years prior to January 1940 have been denied civil service credits for retirement purposes for the years they were employed. For example, in my case I have, as an individual, tried unsuccessfully time and time again to obtain recognition of my years of service prior to 1940 by the Civil Service Commission. On each occasion I have been refused such recognition.

The program that I am employed by now is the same program that I was employed with originally in October 1929, except that for the period prior to 1940 we received no recognition as civil service employees and, therefore, accrued none of the benefits of the Civil Service Retirement Act. Effective in January 1940 we were placed under civil service and since that time have received all of the benefits of the U.S. civil service program. Prior to 1940 I was employed as a Federal officer, performing a Federal function as a Federal poultry inspector, and issued Federal certificates.

I also was federally supervised by a federally employed supervisor who happened to be the only employee under the civil service program at that time. His salary and part of the administrative costs of the program were paid from federally appropriated funds. My salary, however, and the salaries of other inspectors, was paid under arrangements carried out in accordance with the Federal-State cooperative agreement between the U.S. Department of Agriculture, the Illinois State Department of Agriculture, and the National Poultry, Butter & Egg Association. I should like to make it clear that I was not a State employee and never considered as such.

Official plants operating under the Federal voluntary poultry inspection program were billed for the costs of the inspection provided to them by my supervisor. My supervisor in turn deposited these funds with the National Poultry, Butter & Egg Association. This association then issued my salary check and those of others employed in a similar capacity. After January 1940 we were paid with U.S. Treasurer checks although the Federal-State agreements remained in effect and still do to this date.

In conclusion I should like to emphasize that I am presenting this statement to the subcommittee in the interests of correcting gross inequities since some USDA employees now have received U.S. civil service credit for service in Federal-State programs while we have not.

I respectfully beg your serious and favorable consideration of inclusion of poultry inspectors employed under the Federal-State poultry inspection programs, administered by the Bureau of Agricultural Economics, and successor agencies prior to 1940 be specifically included in S. 991. In support of my con-

tentions and in order to provide the committee with a complete background of correspondence with the U.S. Civil Service Commission, I am attaching the following documents with the request that they be included as a part of this statement. These documents relate to my employment.

ATTACHMENTS

- Letter of May 17, 1962, from Dr. Roy E. Willie to Retirement Division, Civil Service Commission, Washington, D.C.
 Letter of July 20, 1962, from Isaac Joseph, Bureau of Retirement and Insurance, to Dr. Roy E. Willie.
 Letter of September 7, 1962, from Dr. Roy E. Willie to Mr. Isaac Joseph.
 Letter of October 3, 1962, from Isaac Joseph to Dr. Roy E. Willie.
 Letter of May 15, 1963, from E. T. Groark to Dr. Roy E. Willie.
 Letter of October 26, 1963, from Roy E. Willie to Mr. E. T. Groark, Chairman, Board of Appeals and Review, U.S. Civil Service Commission.
 Letter of December 18, 1963, from Mr. E. T. Groark to Dr. Roy E. Willie.
 Proposed amendment to S. 991.

MAY 17, 1962.

RETIREMENT DIVISION, CIVIL SERVICE COMMISSION,
 Washington, D.C.

GENTLEMEN: From time to time your Commission has been requested by individuals and officials of the U.S. Department of Agriculture for rulings on eligibility of individuals and groups of individuals for certification for retirement credit. I have reviewed some of this material in an effort to understand why the USDA has refused to accept some of my Federal civil service for retirement credit certification.

I am now making this request for your review of my Federal civil service described below because I am convinced that it meets the criteria for certification for retirement credit. I was (1) engaged in the performance of a Federal function under authority of an act of Congress, (2) appointed and employed by a Federal officer, and (3) under the supervision and direction of a Federal officer.

(1) The Federal function in which I was engaged was the poultry inspection program set up under authority contained in the Agricultural Appropriation Act for the year ending June 30, 1927 (Public Law 214, 69th Cong.) and subsequent Agricultural Appropriation Acts. Attachments (a), (b), (c), and (d) are descriptive of the Federal function that was set up under the authority of the Federal acts.

(2) My original appointment was made by Dr. C. E. Edmunds, Regional Supervisor of the Bureau of Agricultural Economics of the U.S. Department of Agriculture, Chicago, Ill., and dated September 15, 1929. The document was in the form of a veterinary poultry inspector's license card that covered the period September 15, 1929, to June 30, 1930. A similar appointment device was issued to me covering each fiscal year following the initial appointment until January 1, 1940. This reflects the year-to-year nature of the Federal function that was authorized under succeeding appropriation acts. My Federal service under this arrangement was continuous from September 15, 1929, to December 31, 1939. During all this time I was recognized and I functioned as a Federal official in all of my dealings with the public in the capacity of a Federal veterinary poultry inspector enforcing the requirements of the Federal poultry inspection program of the Department of Agriculture.

(3) During the entire service for which I am requesting retirement credit certification I operated under the supervision of a Federal official. This is also evidenced by the following attachments:

A. Memorandum of agreement between National Poultry, Butter & Egg Association and the Bureau of Agricultural Economics, U.S. Department of Agriculture, dated June 25, June 28, July 3, 1929, and amendments dated August 21, 22, 26, 1929, and March 31, April 7, 1930. Pages are numbered 66 to 70 inclusive.

B. Memorandum of agreement between National Poultry, Butter & Egg Association and the Federal Bureau of Agricultural Economics, U.S. Department of Agriculture, dated July 24, August 6, 1930; and renewals dated July 10, 1931, June 28 and July 9, 1932, June 28, July 23, 1933; amendment dated August 9, 16, 1933; renewals dated May 26, 28, 1934; May 31, June 10, 1935; amendment dated March 11, 13, 1936; memorandums of confirmation of agreement

dated August 3, 1936, October 6, 1936, October 31, 1936, November 21, 1936. Pages are numbered 71 to 86 inclusive.

C. Memorandum of agreement between Illinois Department of Agriculture and the Bureau of Agricultural Economics, U.S. Department of Agriculture, dated January 29 and February 5, 1934; with renewal dated May 28, June 2, 1934; amendment dated July 23, 28, 1934; renewal dated June 26, July 2, 1935; amendment dated March 25, 31, 1936, and December 17, 21, 1935; renewal dated June 30, July 6, 1936. Pages are numbered 87 to 96 inclusive.

D. Memorandum of agreement between Illinois Department of Agriculture and the Bureau of Agricultural Economics of the U.S. Department of Agriculture dated July 26, 29, 1937; and amendment to agreement dated January 3, 7, 1938; memorandum of confirmation of agreement dated June 14, 1938; amendment dated September 10, 14, 1938; memorandum of confirmation of agreement dated June 30, 1938.

NOTE.—Effective July 1, 1939, the work under this agreement was transferred, by authority of the Agricultural Appropriation Act, to the Agricultural Marketing Service. (See memorandum of confirmation dated June 30, 1938.) Pages are numbered 97 to 105 inclusive.

I have tried to find some explanation why I have not long since received retirement credit for my Federal service that I have described above. Apparently the method of payrolling has been permitted to confuse the issue. The program in which I was employed was a voluntary poultry and domestic rabbit inspection program administered by the Bureau of Agricultural Economics of the U.S. Department of Agriculture. I was paid not by Government check but by check drawn on private funds. Actually the same Federal statute that authorized setting up the Federal function legalized paying Federal employees in this manner.

The administrative expediency of setting up a paying arrangement outside the fiscal office of the U.S. Department of Agriculture failed to provide for the detail of withholding retirement contributions. This would have been done routinely if the payrolling had been handled by the U.S. Department of Agriculture which was the case when the changeover in payrolling was made on January 1, 1940. At this time there was no change in the origin of the funds; these were still provided by the recipients of the inspection service.

I believe the foregoing justifies your authorizing the Personnel Division of the Agricultural Marketing Service, U.S. Department of Agriculture, to make such arrangements as are necessary to accept for retirement credit certification my Federal civil service for the period September 15, 1929, to December 31, 1939, inclusive.

Awaiting your reply, I am

Sincerely yours,

ROY E. WILLIE,

Chief, Inspection Branch, Poultry Division.

P.S.—Also attached is a copy of "Instructions of the Chief of the Bureau of Agricultural Economics Governing the Disposal of Diseased Domestic Rabbit Carcasses and Parts Thereof * * *." I have tried to locate a copy of similar regulations issued on poultry but so far have not been able to locate one. Please note section 1, paragraph 1, of these regulations which state in part "Antemortem examination and inspection shall be made by an authorized agent of this Department."

R.E.W.

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT AND INSURANCE,
Washington, D.C., July 20, 1962.

Dr. ROY E. WILLIE,
Chief, Inspection Branch,
U.S. Department of Agriculture,
Washington, D.C.

DEAR DR. WILLIE: We have carefully considered the enclosures with your letter of May 17, and find that your service prior to January 1, 1940, does not meet the criteria for true Federal employment and is not creditable for retirement purposes.

The Civil Service Retirement Act authorizes credit for all civilian service during which the individual was a Federal employee. The Commission requires

that, in order to be considered a Federal employee, the individual must (1) be engaged in the performance of Federal functions under authority of an act of Congress or an Executive order and (2) appointed or employed by a Federal officer in his official capacity as such, and (3) under the supervision and direction of a Federal officer.

The United States may promote the objectives of Federal-State cooperative programs by the direct Federal employment method described above and by furnishing funds to the State. Because of two methods used, some employees with a given program are Federal employees; others are strictly State employees. In your case, your connection with the cooperative program was as a State employee. The fact that a portion or all your salary may have been paid from funds originally appropriated by Congress does not prove Federal employment. Consequently, retirement credit may not be allowed for this non-Federal service.

Sincerely yours,

ISAAC JOSEPH, *Chief of Section.*

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL MARKETING SERVICE, POULTRY DIVISION,
Washington, D.C., September 7, 1962.

Mr. ISAAC JOSEPH,
*Chief of Section, Bureau of Retirement and Insurance,
U.S. Civil Service Commission, Washington, D.C.*

DEAR MR. JOSEPH: This has reference to your letter of July 20, 1962, in reply to my letter of May 17.

In your letter you disallow my request for retirement credit for my civilian service in the Federal poultry inspection program for the period October 1929 through December 1939 because, as you put it, my "connection with the cooperative program was as a State employee."

As I understand my rights under the Civil Service Retirement Act, I qualify as an "employee" as defined in the act and also under "coverage" as provided for in the act in that in fact my connection with the Federal poultry inspection program was as a Federal employee. No provision in the act disqualifies me for retirement credit for my Federal employment because I was at the same time as you state a State employee. Also as you point out in your letter the origin of the funds from which I was paid is not material to my classification as an "employee" under the act.

The Federal poultry inspection program was authorized by Federal statute and as it was organized under the particular Federal-State cooperative program it was functional only with federally employed inspectors. The basic provisions of the Federal program required inspectors to act with respect to substantial property rights of the poultry industry under regulations issued by the Secretary of Agriculture. The inspector's actions were evidenced by such devices as U.S. condemned, U.S. rejected, U.S. retained, U.S. inspected, and certified and these were used in connection with birds, products, and equipment. As a Federal inspector I took such action in the name of the U.S. Department of Agriculture under authority granted to me by the Department. I was recognized and accepted by industry and the public generally as being an employee of the Department. This work was the start of my Federal career in the Poultry Inspection Service of the U.S. Department of Agriculture. I am still a part of this service and have progressed through the ranks to the position of Chief of the Inspection Branch, Poultry Division.

For example, as part of my official duties, I regularly executed U.S. Department of Agriculture export certificates as an employee of the Department. These export certificates covered poultry products that were identified as having passed the inspection of the Federal program. The certificates were accepted and recognized by officials of foreign countries as being official documents of the Department of Agriculture.

My employment status was formalized annually by letter of authorization and "license" that were issued to me by a Federal officer in his official capacity. These were my appointment papers.

In fact, the Federal poultry inspection program in which I was employed during the period October 1929 through December 1939 was completely a Federal operation. During that time, I received all of my supervision, direction, and instructions from Federal officers. I had no contact with State officials as such. In fact, the National Poultry, Butter, & Egg Association of Chicago from October

1, 1929 through December 1936 and the Bank of Effingham, Effingham, Ill., from January 1, 1937, through December 1939 issued my salary checks only after receiving certification from my Federal supervisor and he also delivered the checks to me.

In view of the foregoing, I will appreciate your again reviewing my request for retirement credit for my Federal civilian service for the period October 1929 through December 1939. I believe I am justified in regarding my service as qualifying me under the "employee" definition of the Civil Service Retirement Act and as meeting the three criteria mentioned in your letter.

Sincerely yours,

ROY E. WILLIE,

Chief, Inspection Branch, Poultry Division.

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT AND INSURANCE,
Washington, D.C., October 3, 1962.

Dr. ROY E. WILLIE,
Chief, Inspection Branch, Poultry Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C.

DEAR DR. WILLIE: Careful consideration has been given your September 7, 1962, letter in further regard to credit under the Civil Service Retirement Act for service with the poultry inspection program prior to January 1, 1940.

The Civil Service Retirement Act applies only to employees in or under the Federal or District of Columbia Government. The words "in or under the executive, judicial, and legislative branches of the United States Government" appearing in the Retirement Act have been construed by the Commission to include only persons who—

- (a) Are engaged in the performance of Federal functions;
- (b) Are appointed or employed by a Federal officer; and
- (c) Are under the supervision and direction of a Federal officer.

The Federal Government lends monetary and other aids to the several States in the development of many varied programs such as agriculture, public roads, education, social service, relief, etc. Although Federal funds are used, these programs are essentially State functions, and the employees engaged in their administration are employees of the State government.

The enclosed copy of Mr. C. K. Morrison's June 7, 1962, memorandum points out that for the period in question, there is no record of a Federal appointment prior to January 1, 1940. The "license authority" does not cause the service in question to become creditable for retirement under the Civil Service Retirement Act. In short, retirement credit may not be allowed for the non-Federal service.

Sincerely yours,

ISAAC JOSEPH, *Chief of Section.*

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 15, 1963.

Dr. ROY E. WILLIE,
Chief, Inspection Branch, Poultry Division, Agricultural Marketing Service, Department of Agriculture, Washington, D.C.

DEAR DR. WILLIE: Reference is made to your appeal from the decision of the Commission's Bureau of Retirement and Insurance that your service as a licensed poultry inspector, claimed with the Bureau of Agricultural Economics, U.S. Department of Agriculture, from September 15, 1929, to December 31, 1939, is not creditable for retirement purposes for the reason that it does not meet the three tests of Federal employment.

The Board of Appeals and Review has made a thorough study of the facts in your case, including the representations made in your appeal and the evidence you have submitted in support of your contention that the service meets the criteria outlined by the Bureau of Retirement and Insurance in its letter of October 3, 1962, denying you retirement credit for your service. Concerning the criterion that the person must be appointed or employed by a Federal officer, it is your contention that the veterinary poultry inspector license cards issued to you by the Bureau of Agricultural Economics constituted an appointment device, and differed only procedurally from other forms of documenting appointments.

As you are aware, the Department of Agriculture does not consider that you were an employee during the period you performed service as an inspector under authority of a license issued by the Department. This is rightly so because the licenses the Department issued to you were not the same as Federal appointments. When a person receives a Federal appointment he is administered the oath of office and a record of the employment is maintained by the department or agency concerned with the employment.

The information furnished by you and by the Department of Agriculture clearly indicates that you were an employee of the National Poultry, Butter & Egg Association and/or the Illinois State Department of Agriculture and were licensed by the U.S. Department of Agriculture to make certain inspections as provided for in the memorandums of agreements which the Department made with these two groups. In the memorandums of agreements, concerning the organization, a distinction was made between those persons who were employees of the Department and those who were licensed by the Department to make inspections. Also, in the rules and regulations of the Secretary of Agriculture governing inspection and certification, issued in September 1931, provision was made in regulation 9 for the licensing of inspectors and the suspension of such licenses but no provision was made for suspension of the licensees from the service. It is evident from these documents that licensed inspectors were neither considered as employees nor were they in fact employees of the Federal Government.

The Department of Agriculture reported that during the period for which you claim you were a licensed inspector you held an appointment as collaborator without compensation from January 16, 1939, to May 15, 1939, which the Department stated it had ruled as "not creditable." Persons who hold this type of appointment and who are placed on the Federal rolls merely for the Government's convenience—that is, for use of franking privileges, performance of intermittent Federal duties, etc.—receive no credit for such service.

In conclusion, in view of the fact that you were never appointed or employed by the U.S. Department of Agriculture, except for the period you held an appointment as collaborator without compensation which is not creditable, your service as a licensed poultry inspector between September 15, 1929, and December 31, 1939, does not meet the three tests necessary to be considered Federal employment. The decision of the Bureau of Retirement and Insurance that no credit may be allowed for the service in question is correct and is consistent with decisions in similar cases. Accordingly, the Board has affirmed that decision.

Sincerely yours,

E. T. GROARK,
Chairman, Board of Appeals and Review
(For the Commissioners).

BETHESDA, MD., October 26, 1963.

Mr. E. T. GROARK, *Chairman,*
Board of Appeals and Review,
U.S. Civil Service Commission,
Washington, D.C.

DEAR MR. GROARK: This refers to my correspondence with the Bureau of Retirement and Insurance of the Commission that includes your letter of May 15, 1963, addressed to me. This correspondence deals with my services as a poultry inspector with the Bureau of Agricultural Economics of the U.S. Department of Agriculture from September 15, 1929, to December 31, 1939, and my request that it be credited for retirement purposes. Your letter reviews my appeal from a decision of the Bureau of Retirement and Insurance that this is not creditable service and you support this decision.

In your letter you say that my service in question does not meet the three tests of Federal employment. Your letter deals with just one of these tests, that is, "appointed or employed by a Federal officer." I am sure I am correct in assuming that there is no question but what my service meets the other two tests, namely, that I was "engaged in the performance of a Federal function," and that I worked "under the supervision and direction of a Federal officer."

Since receiving your letter I have reexamined carefully these circumstances and experiences that have a direct bearing in this process of appointment or employment by a Federal officer, that set the stage for my functioning as a Federal employee in the U.S. Department of Agriculture.

I am addressing this to you asking for a further review of my request that my employment by the USDA from September 15, 1929, to December 31, 1939, be creditable for retirement. This is because your letter of May 15, 1963, is (1) not entirely accurate, and (2) is not fully factual.

(1) It is erroneous for you to say that I was "an employee of the National Poultry Butter & Egg Association, and/or the Illinois State Department of Agriculture." I had no employment or other similar relationship with these organizations or other similar organization.

You imply erroneously that application of the regulation provision for suspending the license to represent the USDA would not suspend my employment. Actually, I had no status in the inspection program other than that created by the license and its suspension would have terminated my employment in the program.

Furthermore, your statement that the decision that my service is not creditable "is consistent with decisions in similar cases" is not supported by fact. My search has revealed no case similar to the kind of employment experienced by me and my associates whose experience was similar to mine in the Federal Poultry Inspection Service prior to December 31, 1939.

(2) As for the complete factual picture connected with my being employed by a Federal officer, I was also actually recruited by a Federal officer in his official capacity.

Also, with respect to your reference to "the memorandums of agreements when the Department made with these two groups," it is entirely probable that the Department licensed employees of one or both of these two groups. I do not know what the rights of such a licensee might be, but this has no bearing on my case because I was not employed by either group.

It seems to me your letter incorrectly takes the position that what the USDA employment people thought they were doing takes precedent over what they were doing in fact. It impresses me as being quite unfair that I should be deprived of retirement rights because the USDA employment people negligently failed, in my case, to administer the oath of office, and neglected to maintain a record of my employment.

I believe the foregoing justifies your support for my petition that my employment by the U.S. Department of Agriculture from September 15, 1929, to December 31, 1939, be creditable for retirement purposes.

Sincerely yours,

ROY E. WILLIE.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., December 18, 1963.

Dr. ROY E. WILLIE,
Bethesda, Md.

DEAR DR. WILLIE: Reference is made to your letter of October 26, 1963, expressing dissatisfaction with the action of the Board of Appeals and Review in affirming the decision of the Bureau of Retirement and Insurance that the service you performed as a poultry inspector under authority of a license issued by U.S. Department of Agriculture from September 15, 1929, to December 31, 1939, is not creditable under the Civil Service Retirement Act.

The record indicates that your case has received full consideration in the appellate channels of the Commission. The Board's decision of May 15, 1963, set forth the reasons for affirming the action of the Bureau of Retirement and Insurance. In that letter it was explained that you had been licensed by the Department of Agriculture as distinguished from being appointed. Licensees were not Federal employees and it was never intended that they be so considered.

The Department of Agriculture advised that, with the exception of the appointment you held as a collaborator without compensation from January 16, 1939, to May 15, 1939, you held no Federal appointment with the Department of Agriculture prior to January 1, 1940, but performed your inspection duties under authority of a license issued by the Department. Great weight is accorded to the official records and opinions of the Department of Agriculture because, as the Department concerned with the service, it is considered to have intimate knowledge of the character of the service as well as being responsible for maintaining the official records. Although secondary evidence cannot be substituted as proof that you were a Federal employee, the evidence submitted by you does not contradict the official record.

Since you did not perform the service in question under a Federal appointment, the Board did not consider it necessary to make a determination as to whether your service met the two remaining requisites of Federal employment. All three requirements must be met and failure to meet any of them precludes crediting of a period of employment as Federal service.

The Board gave careful consideration to all the representations submitted in your appeal. Your latest representations are not found to demonstrate error in the previous decisions. Therefore, as all aspects of your case have been fully processed through the appellate channels of the Commission, your appeal privileges within the Commission have been exhausted and the Board's decision of May 15, 1963, stands as the final administrative disposition of this matter.

Sincerely yours,

E. T. GROARK,
Chairman, Board of Appeals and Review.

PROPOSED AMENDMENT TO S. 991

"TO CREDIT FOR THE PURPOSES OF THE CIVIL SERVICE RETIREMENT ACT CERTAIN
POULTRY INSPECTION SERVICE"

That section 3 of the Civil Service Retirement Act, as amended (5 U.S.C. 2253), is amended by adding at the end thereof the following:

"(k) Subject to the conditions contained in this paragraph, any employee in a position within the purview of this Act at the time of his retirement shall be allowed credit for all periods of service performed by him in connection with the inspection of live or dressed poultry and rabbits and edible products thereof under agreements to which the Federal Government was a party. Such service shall be certified as prescribed by the Commission."

Section 2. Notwithstanding any other provision of law, annuity benefits under the Civil Service Retirement Act resulting from the operation of the amendment made by this Act shall be paid from the Civil Service Retirement and Disability Fund.



Since you did not perform the service in question under a Federal appointment, the Board did not consider it necessary to make a determination as to whether your service met the two continuing requirements of Federal employment. All three requirements must be met and failure to meet any of them precludes crediting a period of employment as Federal service.

The Board gave careful consideration to all the representations submitted in your appeal. Your latest representations are not found to demonstrate error in the previous decision. Therefore, as all aspects of your case have been fully processed through the appellate channels of the Commission, your appeal process which the Commission have been exhausted and the Board's decision of May 15, 1963, stands as the final administrative disposition of this matter.

Sincerely yours,

E. T. GROSS

Chairman, Board of Appeals and Review

PROPOSED AMENDMENT TO 5 USC

"TO REPEAL THE PROVISIONS OF THE CIVIL SERVICE RETIREMENT ACT RELATIVE TO CREDIT FOR THE PURPOSES OF THE CIVIL SERVICE RETIREMENT ACT."

That section 5 of the Civil Service Retirement Act as amended (5 USC, 3337) is amended by adding at the end thereof the following:

"(f) Subject to the conditions contained in this paragraph, any employee in a position within the purview of this Act at the time of his retirement shall be allowed credit for all periods of service performed by him in connection with the inspection of live or dressed poultry and rabbit and edible products thereof under contracts to which the Federal Government was a party. Such service shall be credited as provided by the Commission."

Section 2 (a)(1) notwithstanding any other provision of law, monthly benefits under the Civil Service Retirement Act resulting from the operation of the amendments made by this Act shall be paid from the Civil Service Retirement and Disability Fund.

