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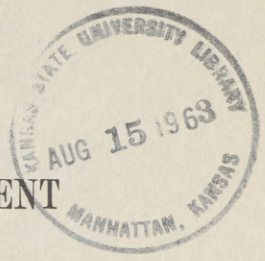
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HEARINGS
BEFORE THE
COMMITTEE ON RETIREMENT
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
EIGHTY-EIGHTH CONGRESS
FIRST SESSION

S. 176

A BILL TO AMEND THE CIVIL SERVICE RETIREMENT ACT
SO AS TO PROVIDE FOR RETIREMENT ON FULL ANNUITY
AT AGE 55 AFTER 30 YEARS OF SERVICE

MAY 14 AND JUNE 3, 1963

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



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MAY 11 AND JUNE 3, 1962

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RETIREMENT AT AGE 55 WITH 30 YEARS' SERVICE

TUESDAY, MAY 14, 1963

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

The Committee met at 2:30 p.m. in room 6202, pursuant to call, Senator Gale McGee (chairman of the subcommittee) presiding.

Present: Senators McGee, Brewster, and Fong.

Also present: Senator Johnston.

Staff members present: William P. Gullege, staff director and counsel; Dr. Robert L. Sumwalt, assistant staff director, and Frank A. Paschal, minority clerk.

Senator MCGEE. The subcommittee will come to order.

These hearings are convened today so that the retirement subcommittee may hear testimony on S. 176, a bill introduced by the distinguished chairman of this committee, Senator Olin Johnston, in order to amend the Civil Service Retirement Act to provide for retirement on full annuity at the age of 55 after 30 years of service. I am glad to welcome here today all of those who have been asked to testify and, before we get into the testimony itself, I will ask the chairman if he would have a statement.

Senator JOHNSTON. Mr. Chairman, I appreciate very much your permitting me to make this brief statement prior to the beginning of these hearings on S. 176, which I introduced. This bill would provide for the retirement from the Federal service after 30 years at age 55. Thirty-year retirement has been a goal of the rank and file of all members of the Federal service for many years. I ask that S. 176 be placed in the record.

Senator MCGEE. The bill will appear at this place.

(S. 176 is as follows:)

[S. 176, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act so as to provide for retirement on full annuity at age fifty-five after thirty years of service

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That (a) section 6(a) of the Civil Service Retirement Act (5 U.S.C. 2256(a)) is amended by striking out "sixty" and inserting in lieu thereof "fifty-five".

(b) Section 6(b) of such Act (5 U.S.C. 2256(b)) is repealed.

(c) Section 9(d) of such Act (5 U.S.C. 2259(d)) is amended by striking out the words "an employee retiring under section 6(b) or 6(d) or" and the words "employee or", and by inserting at the end thereof the following new sentence: "The annuity as hereinbefore provided, for an employee retiring under section 6(d), shall be reduced by one-sixth of 1 per centum for each full month in excess of sixty such employee is under the age of sixty years at date of separation."

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

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

Senator JOHNSTON. When I introduced the 30-year retirement bill during the 87th Congress it was my hope that the retirement act would be amended so that retirement after 30 years of service without regard to age would be provided for. In the face of strong opposition, however, the bill was amended by the provision that the employee must have reached age 55. With this amendment, it was favorably reported out of the committee, but failed to be acted upon by the Senate. I regard S. 176 as a first important step to a full annuity 30-year retirement which I believe will inevitably be enacted in due course. The present bill takes a long step forward in achieving much needed liberalization of the retirement system. I am sure that the hearings beginning today under Chairman McGee's able leadership will provide the committee with a clear cross-section of opinion on this measure.

Senator MCGEE. Thank you, Mr. Chairman.

We have been advised that we have here in the audience, Junji Shikano, the assistant director of the Pension Bureau of the Office of the Prime Minister of Japan. I wonder if he would stand up. We want to welcome you to this session.

I understand that you have been over here at the Civil Service Commission for the past 3 or 4 months making a study of the Civil Service retirement system and interrelationship to surety, and we hope and know, given the personnel down there in that job, that you have had a very profitable session.

I might say that I am among those many people in this country that had very profitable sessions in your country. We learn a great deal from each other. I was there as recently as December and ever since then I have been trying to get them to open a Japanese bath here on the Hill.

Senator Fong reminds me that Mr. S. K. Law of the Sarawak Government is also here and we welcome him.

Senator MCGEE. I was rather close to Sarawak physically but not actually there in person. I met with a delegation from your country when they met in the Kuala Lumpur last fall. I was a little closer on the other end of the line when we were over in part of the Philippines later on, but we didn't have the privilege of getting into Sarawak itself.

The first witness this afternoon will be the distinguished chairman of the U.S. Civil Service, Hon. John W. Macy, Jr.

Mr. MACY. Thank you, Mr. Chairman.

Senator MCGEE. You may proceed.

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

Mr. MACY. Thank you.

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

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today to present the views of the Civil Service Commission on these proposals to liberalize the optional retirement provisions of the Civil Service Retirement Act.

The act now permits an employee with 30 years of service to retire voluntarily on full annuity at any time after age 60. A further provision permits the 30-year employee to retire at any time after age 55, but the annuity in this case is reduced by 1 percent for each full year he is under the age of 60.

S. 176, introduced by the distinguished chairman of the committee, Senator Johnston, would retain the minimum age 55 requirement, but eliminate the age reduction, permitting optional retirement on full annuity after age 55 with 30 years of service.

S. 620, introduced by your distinguished colleague, Senator Fong, proposes to eliminate all minimum age requirements for early optional retirement, permitting voluntary retirement on full annuity at any age after 30 years' service.

The Commission's May 13 report to the chairman of the full committee states the administration's official position and best judgment on these proposals. To complete the record, I suggest that this report be incorporated in the subcommittee's proceedings.

Senator McGee. Without objection it will be made part of the record.

(The report referred to follows:)

CIVIL SERVICE COMMISSION,
Washington, D.C., May 13, 1963.

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 February 9 for Commission comment and recommendation on S. 176 and S. 620, bills to amend the 30-year optional provision of the Civil Service Retirement Act.

The latter bill would accord each employee subject to the Retirement Act a right to retire voluntarily at any time after completing 30 years' service, regardless of his age and with no reduction in rate because of earlier retirement. S. 176 proposes 30-year optional retirement on full annuity only at or after age 55.

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

These options have been in the Retirement Act since the amendment of January 24, 1942. Under this amendment, the reduction for under-60 retirement was based in each individual case on the present actuarial worth of an annuity allowable were the employee 60 years of age; the actuarial reduction under this law amounted to slightly more than 6 percent for each year the employee was under age 60 at retirement date. The computation plan was liberalized by act of February 23, 1948, and the annuity of a person retiring under this provision after that law's effective date (April 1, 1948) was reduced by only one-fourth of 1 percent for each full month (3 percent a year) the retiring employee was under age 60 at the time of separation. The act of July 31, 1956, effective October 1, 1956, further lowered this reduction factor so that the annuity of the 30-year employee now retiring between 55 and 60 is reduced by only one-twelfth

of 1 percent for each month (1 percent a year) he is under age 60 at retirement.

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

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

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

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

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

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

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

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

the annual cost, on the normal-cost-plus-interest basis, would be increased by 0.16 percent of payroll, or \$23 million, with the deficiency increased by \$328 million.

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

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

By direction of the Commission.

Sincerely yours,

JOHN W. MACY, JR., *Chairman.*

Mr. MACY. As administrator of the retirement system, the Commission is vitally concerned with maintaining a retirement plan which is sound and equitable both to the employee and to the Government as employer.

After weighing the advantages and disadvantages of these proposals from both employee and Government points of view, and taking into account the broader social and economic problems generated by our Nation's increasing retired population, the Commission has concluded that neither of these proposals represents legislation which would be in the public interest.

The following conditions were considered in reaching this conclusion:

One, there is no demonstrable social need for these proposed further liberalizations in the optional retirement provisions. Indeed, the trend from the standpoint of social needs runs in the opposite direction.

We have seen in recent years a fast-growing interest in the problems of older people, who comprise an increasingly larger portion of our population.

One aspect of this interest is expressed in the belief that it is important for the economic good of our country that the skills and experience of older people be utilized rather than wasted in retirement. Medical authorities place some stress on the psychological importance of keeping older people engaged in useful and needed work as long as they are physically able to be employed.

Retirement after 30 years of service without regard to age runs directly counter to this belief. It is inconsistent with the trend in our population toward a longer lifespan with an attendant lengthening of the average productive work life.

Two, removing the age limitation on optional retirements, as one bill proposes, might result in a substantial loss to the Government by the early retirement of its more efficient employees, while the less efficient would tend to delay their retirement.

It would in many cases induce retirement from the public service at a time of greatest contribution to Government programs. Removing the age reduction for retirement between age 55 and 60 would produce a similar, though less substantial, loss to the Government of skilled, experienced employees, often at the peak of their usefulness.

Three, it must be recognized that removal of the age limitation or of the age reduction would add incentive to early voluntary retirement. Our actual experience in the past illustrates this. Retirements at age 55 with 30 years of service more than doubled after the reduction factor was lowered in 1948.

For 2 years following the 1956 liberalization the rate of early optional retirements again doubled. This rate has since leveled off at less than a 50-percent increase over the pre-1956 experience.

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

Five, a staff retirement plan such as the civil service retirement system can be justified only if it produces results which are of mutual benefit to the employer and the employee. Thirty-year optional retirement at any age would benefit employees only. Removing the 1 percent a year age reduction would also be productive of a unilateral benefit, that is, 30-year employees aged 55 or over would simply be offered increased annuities for choosing to retire before age 60. Neither proposal meets the test of being of mutual advantage to employer and employee.

There are no reliable data on which to base a precise cost estimate of either of these proposals. Manifestly, enactment of either proposal could be expected to result in a material increase in the rate of early optional retirements. The extent of the increase in either instance can only be estimated.

We have assumed that enactment of the 30-year, any-age proposal would result in 75 percent more under-60 retirements than under present law and would increase the annual cost of the retirement system by \$67 million, with an increase of \$943 million in the unfunded liability.

On the proposal to remove the age reduction factor for retirement between age 55 and 60, we have estimated that 25 percent more under-60 retirements would occur than under the present law.

This would result in an increase of \$23 million in the annual cost of the retirement system, with an increase of \$328 million in the unfunded liability. Each of these estimates is formulated on the normal cost plus interest basis.

If, in either instance, actual experience showed a greater or smaller increase in the incidence of early retirements, costs would, of course, be correspondingly higher or lower.

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

Mr. Ruddock and I shall be happy to answer any questions you or your colleagues may have.

Thank you very much.

Senator McGEE. One or two thoughts occurred to me, Mr. Macy, as you were detailing your four or five points there to explain your position. In regard to the first, the number of jobs that this might take away in the older age bracket if these people were to retire early, wouldn't that tend to be offset, at least very substantially by the jobs that would open up for a new career for a young person to go into

civil service? That is, you would close out a job and I would wonder whether the one might balance off the other. I am merely seeking the information on that.

Mr. MACY. Our experience is that there is about a 16 to 20 percent turnover in the Federal service on an annual basis.

Senator MCGEE. Any way?

Mr. MACY. This is the turnover from all sources at the present time. A portion of this is from retirement, another portion from voluntary quits to take other employment, another those leaving the labor market altogether. So that each year it is necessary for the Federal Government, to sustain the existing level of employment, to hire approximately 350,000 to 400,000 people so that under the employment system there are ample opportunities for entry for those who meet the competitive standards. It is our view that if there were adoption of liberalizing principles, there would be an increased incentive for early retirement and that those who would tend to retire would be those who could seek employment and perhaps even higher compensation in other lines of work because, with greater longevity and with longer work cycles now the pattern, these individuals would find opportunities for new employment.

Our belief is that the individual who has been in the Government for a significant period of time is reaching the peak of his productivity, is in a position to make his major contribution, and to a significant extent to repay the training and supervision that has been received.

Senator MCGEE. Yes, I was principally concerned with its immediate impact on the labor market per se and I was concerned about the opportunity, with each such retirement that we open up to a younger person starting a career. I would think that would also be tied in directly to the quality of the individual that you might subsequently attract to this service.

This carries no suggestion that the quality isn't very fine now, but only that in the military, for example, where they have a lower retirement possibility program, it was deliberately introduced in order to intensify the quality and attract the very finest, and I would think that maybe there would be a compensating factor on this one as well.

Mr. MACY. Of course, the military have a totally different personnel system.

Senator MCGEE. I realize that.

Mr. MACY. And it is one that does have a 20-year retirement that is based upon the nature of military service. We don't believe that early retirement has the same application in the civil service.

Senator MCGEE. How would this compare, or has any study been made of how this proposal of your 30-year retirement compares with the program in existence among, say, American corporate groups or corporations?

Mr. MACY. Most of the corporate pension plans are very closely linked to social security and the provisions in social security call for benefits as of a specified age, assuming that the individual has the requisite number of credits, so that industrial pension plans to the best of my knowledge do not have early retirement as a feature.

Senator MCGEE. What about the numbers of employees in the Federal Government that do retire or did retire after 30 years in our most recent experience? Have those been large numbers?

Mr. MACY. In 1962 I believe 2,500 employees retired with 30 years service prior to age 60.

Senator MCGEE. Yes.

Mr. MACY. And it is our estimate that this number would be increased by 75 percent if we were to remove the reduction.

May I correct my figure? Mr. Ruddock advises me—
Senator MCGEE. The impression was 2,900 something—

Mr. MACY. The 1962 figure was 2,980.

Senator MCGEE. Your estimate is that that would jump by 2,200 or 2,300?

Mr. MACY. Yes. As I testified, our estimate would be if retirement were permitted after 30 years at any age, there would be an increase of approximately 75 percent, and if it were at age 55, roughly 20 percent of that figure.

Senator MCGEE. This would be what percentage of the work force, the figure of last year of 2,900, roughly 3,000?

Mr. MACY. It would be a little more than 1 percent that actually retired. The total number that retired under the Civil Service Retirement Act was roughly 50,000 in 1962.

Senator MCGEE. The point of the question was what percentage of those availed themselves of the 30-year retirement and below the average?

Mr. MACY. I believe I testified 2 years ago when a similar bill was before you that 8 percent of those eligible to retire actually retired prior to age 60 with 30 years of service.

Senator MCGEE. The employee groups in civil service have long manifested an interest in this. Wouldn't the morale factor and the general interest that would sharpen the interest in civil service be a strong measure in calculating the impact?

Mr. MACY. I am certain, Mr. Chairman, that the organizations will so testify and will probably be far more eloquent in their answer than I can be.

I have great difficulty in seeing how this enhances morale. However, since it is claimed so by the employee groups, obviously this is their view. I think it is helpful to point out that, in the history of this statute, and it is a very important, very essential part of our actual personnel program in the Federal Government, that there has been a good gradual liberalization of these particular provisions.

When the act was passed in 1920 there was no provisions for retirement with a minimum of service and then in 1930 after 10 years of experience a 30-year standard was applied with a full annuity at 60, 63, or 68. Then in 1942 in a liberalization 30 years at 55 was permitted with a reduced annuity based on an actuarial reduction that approximated 6½ percent a year.

Then in 1956 under a program that was introduced by Senator Johnston the provision was further liberalized so that we have what we have today, a 1-percent reduction per year between 60 and 55, so that the individual who has 30 years' service can elect to retire at 55, 56, 57, 58, or 59 with 1 percent of reduction in the annuity for each year under 60. This is a relatively limited reduction if the individual feels it is necessary or desirable for him to retire.

Senator JOHNSTON. Mr. Chairman, I think it would be very helpful if Mr. Macy would introduce that table showing what was done in 1942, 1948, and in 1956.

Senator McGEE. I think that would be very helpful.

Mr. MACY. I would be very happy to, Mr. Chairman.
(The table referred to follows:)

Chronology—Early voluntary retirement provisions—Civil Service Retirement Act

From	To	Provision		Benefit	Remarks
		Minimum service	Minimum age		
Aug. 21, 1920	July 1, 1930	No provision.		-----	
July 1, 1930	Jan. 23, 1942	30 years.....	60, 63, 68—2 years earlier than automatic age (62, 65, 70) set for position.	Full annuity.....	No agency option.
Jan. 24, 1942	Mar. 31, 1948	30 years.....	60.....	do.....	Agencies had these same options if employee unable to perform duties efficiently.
		15 years.....	62.....	do.....	
		30 years.....	55.....	Reduced annuity (actuarial reduction approximately 6.5 percent each year under 60).	
Apr. 1, 1948	Sept. 30, 1956	30 years.....	60.....	Full annuity.....	No agency option.
		5 years.....	62.....	do.....	
		30 years.....	55.....	Reduced annuity (3 percent each year under 60).	
Oct. 1, 1956	Date.....	30 years.....	60.....	Full annuity.....	Do.....
		5 years.....	62.....	do.....	
		30 years.....	55.....	Reduced annuity (1 percent each year under 60).	

Senator McGEE. You mentioned, Mr. Macy, the suggestion that the more efficient employees would be the more aggressive, in making available to themselves this opportunity to retire at 55 while the less efficient ones would tend to hang on and run out their full time. I think maybe a little more embellishment with your personal comment might be helpful.

Mr. MACY. The basis for that view was that those employees who had achieved some success in their Federal career and had been recognized for their efficiency and ability with greater responsibility, higher level jobs, would be those who would take advantage of the 30-year option with full annuity and move on into the private sector or some other form of employment where they could receive equal or even better compensation, whereas those who had not been able to gain this degree of, call it economic confidence, would be more inclined to remain with the job they already had.

Senator McGEE. I hesitate to pose this next question because it is becoming dangerously close to involving me before many years, but is there a number of Federal employees engaged in fairly vigorous work who, because of the encroachments of age and the physical impairments they have accumulated over the years, cannot perform quite as well their task, at age 55 as they did at a measurably younger age.

Mr. MACY. There are those, Senator, who testify that Federal experience is an experience in rapid aging. This varies with certain occupations. The civil service retirement system does provide a disability retirement provision for those who are unable to perform the work of the job on which they are currently assigned. This per-

mits them to retire generally with at least a 40 percent annuity. There may be an instance where individuals are not totally disabled but where they, due to increased illness or some other condition of fatigue, decide they wish to retire early. I believe that Mr. Ruddock testified when we were here 2 years ago to the effect that in his judgment perhaps the largest number of those who retired under the present voluntary program were those that found themselves in less perfect health, so that this is a factor. I will concede that.

Senator MCGEE. I would think it would tend to be an offsetting factor; that is, those with some health problems of one sort or another might tend to seize this opportunity to separate at a respectable level and thus permit you to keep up the service, as it were, with new and younger blood.

Mr. MACY. This might be the case. Of course, it is exceedingly difficult to speculate on reasons that are as subjective as those that led one to a judgment of this kind. I certainly would not argue that the proposition that you present is not a factor in judgment leading to early retirement.

Senator MCGEE. Does the Civil Service Commission have any records that might be available to the committee that would indicate why retirees elect to retire?

Mr. MACY. No; we do not require reasons. We have in our annual report very detailed tables showing the numbers every year who retire under the various options that are available under the Civil Service Retirement Act, but we do not have a breakdown indicating the type of reasons that we have been discussing in this colloquy.

Senator MCGEE. You mentioned that we have to make some real subjective judgments on this and I didn't know whether we might have available some kind of a study of the motivations that lay behind those who have already chosen to retire.

Mr. MACY. May I call on Mr. Ruddock for further elaboration?

Senator MCGEE. Surely.

Mr. RUDDOCK. We do not ask in the application or elsewhere just what has motivated the optional retirement but, as you can well imagine, I talk to very many of these people personally. It is very seldom that we find any one reason given as to why the person exercised his option to retire at an earlier date. Usually it is a combination of reasons and I doubt that most of these employees would be able to actually put their own finger on the one reason they considered most compelling.

Mr. MACY. We would probably have to have a good deal of psychological consultation in order to really have any data that would be helpful on this.

Senator MCGEE. I only raise the question as a backsliding academic that we are interested in trying to understand motivation in these kinds of situations. I would think that somewhere somebody would find it very useful to try to get at this question in as near to an objective approach as it was possible to do so and I don't know whether that really properly ought to fall on your shoulders or not, but I know it would be very helpful to us if somebody could come up with a study of the matter so that we could make our own judgments and assessments in trying to arrive at estimates of the magnitude of this question and its impact, again I think it is partly a matter of the blind

leading the blind when we have our feeling on this without really knowing, and I would think we might improve our chances to grapple with it realistically if we had such a study. I don't know whether this is out of order or not.

It might be in order for this to be done possibly in connection with one of our economic institutions or groups that are properly interested,

Mr. MACY. There is an increasing interest in knowing about reasons for retirement and other judgments that are made by our more mature citizens. There is an increased concern with not only the employment of the older worker, but his entire pattern of activity and livelihood during the senior years. It might very well be that what you suggest would be a part of some of the study that is being made in this field.

Senator MCGEE. Senator Johnston, do you have questions on this?

Senator JOHNSTON. I believe the table accompanying your report shows how many retired each year under the different systems beginning with 1943.

Mr. Macy, would you mind supplying for the committee another table in regard to the retired at 59, if they were to retire at 58, 57, 56, 55, and how many you would estimate would retire each year if any of these were put into effect?¹

I think the committee would like to have that and what the cost would be for the various years. It is very important that we have these things so that we know just what our goal or compromise is. I know I for one want to do something in this field and I am hoping that we can get the administration, also, to see the light.

Mr. MACY. We are always seeking the light, sir.

Senator JOHNSTON. We all have to. I realize that.

Mr. MACY. We will endeavor to comply with that. The only qualification I would offer is that of course we could have to make a statistical assumption as to what the effect would be in increasing the number that would retire at a given age as a result of removing the reduction.

Senator MCGEE. You have already made a tentative estimate on this 75 percent increase?

Mr. MACY. We will follow the same statistical route that we did in estimating that.

Senator JOHNSTON. What do you give as a reason, though, for the reductions as shown in your table. I notice in 1957 after the other law went into effect you had 4,275 the first year, in 1958 it was 4,154. Then in 1959 it dropped to 2,826. In 1960, it dropped to 2,583. Then in 1961 it is back up to 3,136 and back again in 1962 to 2,980.

Is there any reason that you could give for the reduction after the first 2 years it was in effect.

Mr. MACY. Our experience, Senator, has been that immediately following a liberalization there is a peaking of cases such as this and then it tends to fall off to a lower figure. This was particularly the case after the 1958 liberalization. As I indicated earlier, actually only 8 percent of those who are eligible for this early retirement are currently taking it, so it is a relatively small number of the total group.

Senator JOHNSTON. As the old saying goes, "a new broom sweeps clean."

¹ See communication dated May 29, 1963, at the end of Mr. Macy's testimony.

Mr. MACY. I was afraid somebody was going to say that the increase in 1961 was because of the change in administration, but I hasten to eliminate that interpretation. I have no explanation of the degree of fluctuation that has occurred in the last few years.

Senator JOHNSTON. I imagine business conditions of the time have a lot to do with it also.

Mr. MACY. Economic conditions of the time. Perhaps we ought to chart this against the business cycle.

Senator JOHNSTON. Some see greener fields on the outside, so they get out and draw their retirement.

Senator MCGEE. Your 75 percent estimate would reflect the peaking after a new liberalization if the light shines through here, or would that be what you would regard as the leveling off figure once the first year's impact was spent.

Mr. MACY. I think this would be the leveling off figure, that actually the first year our experience shows that it is around 100 percent increase.

Senator MCGEE. That is why I wondered whether your 75 percent represented a peaking impact immediately following or—

Mr. MACY. No, this would tend to be your average in successive years with perhaps a higher figure up to 100 percent the third year immediately following the liberalization.

Senator JOHNSTON. I believe that is on the retirement at 60 without any limitation whatsoever. You did not have your 55 years then. I believe your statement says that.

Mr. MACY. Yes, that is right.

Senator JOHNSTON. And it was only 25 percent retirement at 60.

Mr. MACY. That is correct. Our estimate was that it would be only a 25 percent increase, if, as Senator Johnston indicates, the 55 floor was put under the 30-year optional retirement.

Senator MCGEE. Senator Brewster.

Senator BREWSTER. Mr. Chairman, by your table that we have been discussing in 1949 you have 1,240 retirees under this program and in 1962 you have 2,980. By what percentage had the total number of civilian employees in the Government increased, total numbers from 1949 to 1962?

In other words, what I am getting at is, since these are numbers of retirees, aren't they distorted by the fact that the total number of Government employees had substantially increased and would not percentage figures be helpful to us?

Mr. MACY. Yes, it has substantially increased, Senator Brewster. Also, you would have the factor that the age distribution of Federal employment would have changed because there was a substantial employment in the late thirties and these employees in many instances have remained and now constitute a larger block of older employees in the total work force. I don't have with me the total employment for 1948. My recollection is that it was about 2 million and that it has gone up about 500,000 since that time.

Mr. RUDDOCK. May I point out that the retirements that occur in any given year under this table reflect people that have 30 years of service, so that your universe is actually the Federal population 30 years prior to the date of retirement? In other words, for 1962 retirements these must be the survivors of people who entered Federal

service in or before 1932 and would bear little relationship to what is the actual total Federal service in 1962.

Senator BREWSTER. So that we can anticipate on this scale that followup of the Senator's interrogation, a substantial increase in the numbers in this table 10 years, 15 years, from now, that is because of the getting back to the Board.

Mr. MACY. That is correct. In fact, we are looking forward to a rising curve of retirements because of the arrival at retirement age of those who came in during the peak employment periods.

Senator JOHNSTON. Your increases will begin prior to World War II?

Mr. MACY. Yes, sir.

Senator JOHNSTON. Federal employees. The jump there is for right around 2 million and since then it gradually increased up to where it is today, I believe about 2.4 million.

Mr. MACY. About 2,471,000. At the peak of World War II it was up around 3 million.

Senator MCGEE. But the group that went in around 1942 went in generally at an overage?

Mr. MACY. Yes, they were in their late twenties or some of them in their thirties because many of the people who served as civilians during the war were beyond the draft and military service age.

Senator MCGEE. So that peaking period will come substantially earlier?

Mr. MACY. I believe Mr. Ruddock has some estimates as to what the dates of the peaking will be.

Mr. RUDDOCK. We anticipate that the maximum number of people on the retired roll will not occur until shortly after the turn of the century. In other words, disbursement will continue to increase. On this particular table on page 2 I think there is absolutely no significance to an increase in the number from year to year. The only significance is that you have a peaking, a sudden increase, after a liberalization has occurred. This table would show an increasing number year by year without any liberalization.

Senator MCGEE. I think also regardless of the age they enter the civil service it is still going to have an effect on this. Thirty years, even though we are still traveling faster, it takes 12 months to get through the year.

Mr. MACY. That is right, sir.

Senator MCGEE. That would not necessarily be a factor on this particular legislation.

Mr. MACY. Yes.

Senator JOHNSTON. You will find that during the war that people were older who went into civil service. That would make them nearer 60 when they reach their 30 years of service.

Mr. MACY. That is right.

Senator JOHNSTON. Another thing we are going to find is that after the war a great many people that were in service have gone into civil service. What percentage do you have now of ex-servicemen?

Mr. MACY. Veterans are more than 50 percent of the total.

Senator JOHNSTON. They have been in the service and it was after their service they went into civil service, but remember this, that their service in military counts in your retirement.

That is another facet to the problem.

Mr. MACY. This is a very important factor because when it comes to figuring the cost of retirement there were no contributions made for that particular period of service.

Senator JOHNSTON. That is another thing I think we are going to have to look into.

Excuse me for mentioning this, but I think it is a good time. We have over 50 percent in civil service and getting credit for the time that they were in military service without contributing to the fund. That has done more harm to the fund than anything else to the present time. However, they get credit for the years that they were in service which ought to be accounted for some way in the future toward the retirement fund.

Mr. MACY. This is one of the factors, Senator Johnston, that we have brought into consideration in the proposal for retirement financing which was transmitted to the Senate last week.

Senator MCGEE. Being a novice in this field I can come up with all the answers. It looks to me like you can have the Federal payment as we do in the District. We can do it in the guise of a wartime debt, we can do anything for that, we cannot do it from the standpoint of human relations on good social programs because of the thought of increased spending, but if we do it in the name of wartime we can get this extra appropriation in here.

Senator JOHNSTON. If people stay in the military only they have been paid out of Government funds to which they have contributed nothing.

Mr. MACY. That is right; the military plan is the noncontributory plan.

Senator MCGEE. Senator Brewster.

Senator BREWSTER. No questions.

Senator MCGEE. Senator Fong.

Senator FONG. Mr. Macy, do I recall correctly that at one time the age was 72?

Mr. MACY. Age 72? I don't believe so. I think the mandatory retirement has been at age 70.

Was there any time when it was 72?

Mr. RUDDOCK. No, mandatory retirement has never been at any age higher than 70. When the act began in 1920 retirement was mandatory at 70 for a person who was in a clerical occupation. It was 65 for a person who was in a semi-arduous occupation, and for the person who was in an arduous or hazardous occupation retirement was mandatory at age 62. In 1942 the mandatoy retirement age was made 70 for all workers.

Senator FONG. I must have been misinformed then. When I was working at Pearl Harbor I felt I had to work another 54 years to retire, so I quit.

Mr. MACY. They were just trying to get a few more years of work out of you.

Senator FONG. Will you give us the contribution by Government, percentagewise, to the fund—as related to the contribution by the individual?

Mr. MACY. The Government under the present statute contributes 6½ percent of payroll to the retirement fund annually and the em-

ployee contributes 6½ percent by payroll deduction to the fund itself. These were equalized in the 1956 amendments. Since 1956 that has been the situation.

Senator FONG. Now do you have quite a number of people who have arrived at the age of 60 and decided to remain in the service?

Mr. MACY. Yes, we have quite a substantial number. We have over 35,000 employees who are over age 60 and who have 30 years of service.

Senator FONG. Percentagewise, how does that run; that is, with the number of people arriving at that age, those who have sought retirement and those that have not sought retirement? How do they equate?

Mr. MACY. I fear I don't have the answer to that.

Do you have the answer?

Mr. RUDDOCK. I have not worked it out. The percentage of those who exercised their option to retire is small. We have another 35,000 between ages 55 and 60 who have 30 or more years of service and we have approximately 30,000 who have 30 years of service who are under age 55.

With a universe of 35,000 people between ages 55 and 60 eligible to retire and a little less than 3,000 exercising that option, I guess that makes the percentage just about 10 percent.

Senator FONG. Ten percent?

Mr. RUDDOCK. Ten, a little less than ten.

Senator FONG. So 90 percent of the people elect to remain in the service?

Mr. RUDDOCK. Yes.

Senator FONG. So even if you had this retirement at age 55 without deduction, then they choose still to remain in the service?

Mr. MACY. That is correct.

Senator FONG. Would you say 90 percent would still choose to remain or a larger percentage or a smaller percentage?

Mr. MACY. No, I think there would be a smaller percentage that would elect to remain if they were able to retire optionally without the loss on the full annuity.

Senator FONG. Do you feel because a man is younger he feels he can make a career elsewhere, is that it?

Mr. MACY. Yes, sir. He would be attracted to picking up his retirement and taking an alternate employment at 55 if such were available to him.

Senator FONG. A man with 30 years of work, what would be his retirement pay percentage of his total pay?

Mr. MACY. I believe with 30 years it comes out to 56¼ percent; 56¼ percent of his high 5 years of salary would be the formula for his annuity.

Senator FONG. Do you have the figures as to the number of retirees who are now working elsewhere?

Mr. MACY. No; I don't believe we do.

Senator FONG. Would you say that more are working or more are not working?

Mr. MACY. I would be unwilling to hazard a guess. We just don't have that information.

Senator FONG. Now you said, Mr. Macy, that if the age requirement was not in the bill, and 30 straight years for retirement, that

it would cost \$67 million more per year to run the system. In other words, the first year cost would be almost a billion dollars, is that correct?

Mr. MACY. That is correct. The unfunded liability would be increased by \$943 million.

Senator FONG. And then subsequent to that it would be \$67 million every year?

Mr. MACY. Yes.

Senator FONG. So the cost on this program where there is no age limitation would be approximately a billion dollars.

Mr. MACY. That is the best guess that we can make now.

Senator FONG. And then you would reduce that by almost two-thirds if you reduced it down to 55 years old?

Mr. MACY. That is right, because we would be reducing the number of years that the individual would be an annuity recipient by having the higher age starting point than if there were no age limitation.

Senator FONG. To make up for this, say due to the fact that the billion dollars is really a very, very large sum, suppose we concentrate on \$328 million for 55 years and we were to call on employees to pay a portion and the Government to pay a portion of it, how would that raise your percentage of contribution by the employees?

Do you have any figures there? Say there was a 50-50—

Mr. MACY. In other words, how much would it increase the 6½ percent if we were to fully finance the cost of the proposed amendment?

Senator FONG. Do you give that figure?

Mr. RUDDOCK. The total level annual cost is sixteen one-hundredths of 1 percent.

So if that were divided equally between the employee and an employing agency, it would be eight-hundredths of 1 percent.

Mr. MACY. So it would be 6.58 rather than 6.50 percent in order to cover it.

Mr. RUDDOCK. Yes, sir.

Senator FONG. In other words, if the employees were to pick up, say, one-half of it you would have increased the contribution from 6.5 to 6.58.

Mr. MACY. Yes, sir. This would be increasing the contribution across the entire system, every employee and every agency would have to raise the level that much in order to finance this program.

Senator FONG. The military allows a soldier to retire after 20 years of service. That is for the good of the service; is it not?

Mr. MACY. It is for the good of the service, it is because of the nature of the duties that are assigned, it is due to a variety of conditions that are special to the military.

Senator FONG. In other words, the military wants younger men in the service?

Mr. MACY. That is one of the reasons.

Senator FONG. And if they were to force them to retire after 30 years' experience, they would have old men in the service rather than having young men so they give them the 20 years' retirement feature. There is nothing in that related to the civil service employees?

Mr. MACY. No. My belief is that the conditions are different in the military, may justify that particular time feature that are not applicable on the civilian side.

Senator McGEE. Would the Senator yield on that point?

Senator FONG. Yes.

Senator McGEE. I wonder if it would not be helpful to supply for the record your views on why the military 20-year retirement is in a different category from the civil service? The reason I say that, is this question is raised very frequently both by mail and conversation. I think it might be helpful to have your views on that on the record.¹

Senator FONG. That is one of the strong arguments made, that you let the military retire at 20 years.

Mr. MACY. I would be happy to contribute a more complete statement.

Senator McGEE. Spell it out and supply it for the record.

Mr. MACY. I will endeavor to do that. Comparisons of this kind tend to hit some sensitivities but we will endeavor to avoid those.

Senator FONG. Another argument advanced is that this will create more jobs. Will you comment on that, please?

Mr. MACY. This would create additional jobs within the Federal service to the extent that this increased the number of retirements and therefore opened up new jobs that had to be filled. Whether it would actually create more jobs in the total labor market would depend upon whether or not these individuals went on to employment, full time or part time, after retirement. This is a condition that we are unaware of although it would be our belief that most people, particularly those somewhat younger, would find it exceedingly difficult to live on the annuity and would have to have additional employment, additional income, in order to maintain their standard of living.

Senator FONG. Now these two bills necessarily would allow men between the ages of 55 and 60 to retire, and also to retire younger than 55.

Mr. MACY. It would be younger than 55 if there is no limitation.

Senator FONG. If there is no limitation?

Mr. MACY. I believe there are some with 30 years' service as low as 48.

Senator FONG. Say from 48 to 60. Now in your experience a man at 48, 50, 55, 60, what has been the experience of the Civil Service Commission relative to these retirees or these people at that age looking for employment?

Mr. MACY. Well, it depends a great deal upon the individual and whether or not he has a marketable capability. There are men and women at 50 who do shift to new careers and go on to do work for many years. We know that physically people are capable of doing work to more advanced age than has been the case in the past.

Again this is a matter of very individual choice. It depends upon the individual's financial and physical needs, his family situation, a variety of other things. So that I don't really believe I could give you a pattern of experience that would be responsive to your question.

Senator FONG. Do you think a greater portion would be working rather than not working?

Mr. MACY. Yes; I think the greater portion would be working; there would be a greater economic necessity. In fact, these people who retired would become applicants for work in other portions of the labor market.

¹ See communication dated May 29, 1963, at the end of Mr. Macy's testimony.

Senator FONG. If a greater portion of them worked, then the argument that this would create more jobs would not hold.

Mr. MACY. That is right.

Senator MCGEE. Can't you get a realistic reading on that? You have a record of everybody that is now retired, I assume?

Mr. MACY. We are sending them checks every month. We have 600,000 people on the annuity rolls, including survivors.

Senator MCGEE. I think it would be a relatively minor operation to make studies of those people, find out who is working in what kind of employment, so that you could nail this down a little closer than we are doing by speculation. Again I am intrigued by the possibility of somebody doing a little research on this. I think it would be to the advantage of the Commission to have that information.

Mr. MACY. We know that a certain number of those who retire do return as temporary employees because they desire employment and because the agency wishes their services. We have some cases that fall in that category.

Senator MCGEE. What would be the obstacle to the Commission exploring this retired group in terms of not only why they retire as we were talking about earlier but what they are doing now?

Mr. MACY. Well, the only obstacle would be the financing of this as a rather costly bit of research unless we were to do it on a sample basis. Perhaps this could be done in that form for relatively limited costs.

Senator MCGEE. Do you regard this as a useful piece of information to have your hands on or not? I assume you have not made a request for it budgetwise.

Mr. MACY. No, we have not asked for this.

Senator MCGEE. I assume you think it would not be helpful.

Mr. MACY. We have not felt this was a high priority area of activity for the Commission. However, in view of the continuing interest in this subject it would serve us well if we did have more facts with respect to employment and the general attitude.

Senator MCGEE. It is going to build up rather rapidly in terms of the impact of this retiree group. I would think it would be useful and could be done at a relatively small cost in terms of what it might suggest.

Mr. MACY. There would be around 48,000 that would retire in a given year and, a questionnaire could be designed to secure information from them at the time they retired. The question is the one though that Mr. Ruddock raised earlier, Are the reasons that you actually get the valid reasons or are they reasons that are offered to avoid giving the truth?

Senator MCGEE. You raise that question about any kind of sampling that you take in any area. Yet while there are some lines on that, I think the general consensus is that you learn a little bit in that direction, a little bit more than by merely speculating on it.

Mr. MACY. I am a strong advocate of research as a way of ascertaining the facts and making decisions. We will certainly look into the possibility of researching both of these questions, too, in order to answer your queries more effectively and provide us with additional information.

Senator MCGEE. I used to have to do some of this kind of research but I had to buy my own stamps and mimeograph my own material. It was never prohibitive as far as cost. That was relatively elementary because you are dealing in terms of tens of thousands in this case. I don't know what your total would be now.

Mr. MACY. About 450,000 retired employees are on the roll.

Senator MCGEE. I would think this would not be a disastrous financial burden if it were gone after.

Mr. MACY. I appreciate the suggestion.

Senator FONG. Have you got any figures as to the people who arrive at the age of 55, arrive at the age of 60, and retire, whether they are in a higher paying job or a lower paying job?

Mr. MACY. We make a valuation of the retirement system every fifth year under the statute. We will be making such evaluations as of June 30 this year. At that time we will have a very refined breakdown of Federal employment by age and by salary so that we could provide that. We have that information as of 5 years ago, probably would not be particularly relevant to the discussion here.

Senator FONG. Will you provide the committee with it?

Mr. MACY. Yes, we will provide you with information when that evaluation is completed.¹

Senator FONG. Thank you.

Senator JOHNSTON. Mr. Chairman, I have a question I would like to ask. If a man should retire under this law that we are now discussing—at 55 years with 30 years service—he would only get something like 55 percent of his highest 5-year average.

Mr. MACY. Fifty-six and a quarter.

Senator JOHNSTON. Then every year that he stays with the Government he is given an addition of approximately 1¾ percent; isn't that correct?

Mr. MACY. Two percent.

Senator JOHNSTON. Two percent is added to that 56?

Mr. MACY. Correct.

Senator JOHNSTON. Every year he stays with the service?

Mr. MACY. Yes.

Senator JOHNSTON. Now then, as he stays with the service, is it true as a usual thing that he gets a higher salary in the in-grade practice?

Mr. MACY. That is true and usually there is a pay adjustment.

Senator JOHNSTON. So if he stayed with the Government the 5 years and got those increased salaries over the 5 years, when he did retire on an annuity, have you figured how much more that would cost the Government? How much more it would cost the Government for his annual annuities than if he retired at 55 with 30 years?

Mr. MACY. No; there are so many variables involved that we have not computed it. We know that he would have a far better annuity if he continued on for the 5 years.

Senator JOHNSTON. He would certainly have 10 percent more than his annuities for 5 years, isn't that true?

Mr. MACY. Yes.

Senator JOHNSTON. And whatever increase he got on his employment over the 5 years, if that was his high 5 years, and it generally is, isn't that true, he would get that to be added by the 2 percent?

¹ See communication dated May 29, 1963, at the end of Mr. Macy's testimony.

Mr. MACY. That is correct.

Senator JOHNSTON. So that would run probably into millions of dollars, isn't that true?

Mr. MACY. Well, this would be an increase that would occur if the position was filled by somebody else, too. In other words, it is not a completely offsetting increase.

Senator JOHNSTON. But I am dealing with this one man and with his retirement only—what he would receive as annuity from retirement now. I am dealing with retirement and nothing more.

Mr. MACY. Correct.

Senator JOHNSTON. He would get the 10 percent more on whatever volume has increased as a worker.

Mr. MACY. He would draw more from the fund in terms of the amount of annuity but he would be in the system 5 years less drawing annuities.

Senator JOHNSTON. That is true, he would be in 5 years less, but when he did start to draw he would draw more.

Mr. MACY. That is correct.

Senator FONG. Maybe he would stay in 5 years more.

Actually, Mr. Macy, from the civil service the number of people that really take advantage of the retirement bill is about 10 percent?

Mr. MACY. The number that take advantage of the option?

Senator FONG. Yes, of the option.

Mr. MACY. Yes, between 8 and 10 percent.

Senator FONG. Eight and 10 percent.

Senator MCGEE. Are there further questions?

I think for the record just one, Mr. Macy. How many years must a person work to earn to obtain the maximum here?

Mr. MACY. I believe it comes out to between 41 and 42 years.

Senator MCGEE. That would be the most.

Mr. MACY. In order to get 80 percent of the high 5 which is the maximum.

Mr. RUDDOCK. Forty-one years and eleven months.

Senator MCGEE. Thank you.

Mr. MACY. Andy is extremely exact.

Senator MCGEE. On some things.

That is why we need to get equal exactness in some other categories on this if we can in order to have a fair picture of this.

That is all the questions I think we have. Thank you.

Mr. MACY. Thank you, Mr. Chairman. We appreciate the opportunity to testify.

(Subsequently, Mr. Macy supplied the following letter in response to various requests for information:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., May 29, 1963.

HON. GALE W. MCGEE,
Chairman, Retirement Subcommittee, Committee on Post Office and Civil Service, U.S. Senate.

DEAR SENATOR MCGEE: In the course of the May 14, 1963, hearings on S. 176 and S. 620, before your subcommittee, the Commission was asked to provide or develop several items of information for the record. Our report in this connection follows:

Item 1: As requested by Chairman Johnston, a table has been prepared showing the respective estimated costs of a 30-year optional retirement provision with full annuity at ages 59, 58, 57, 56, or 55.

Cost of removing age reduction—30-year retirement between ages 55 and 59

[Dollars in millions]

Provision	Increase in retirements	Annual cost		Increase in unfunded liability
		Percent of payroll	Amount	
		Percent	Percent	
No reduction.....	25	0.16	\$23	\$328
½ percent per month under age 56.....	20	.13	19	262
½ percent per month under age 57.....	15	.10	14	197
½ percent per month under age 58.....	10	.07	10	131
½ percent per month under age 59.....	5	.04	6	66

Item 2: You suggested it would be helpful if the Commission supplied for the record its views on why the considerations deemed to warrant 20-year voluntary retirement for military personnel are not equally applicable to the civilian service.

To our knowledge, one of the most recent official assessments of the retirement provisions for military personnel was made by a study committee of eight faculty members of the University of Michigan under an August 22, 1960, authorization of the Senate Committee on Armed Services. I quote below from the report of this study committee, dated July 6, 1961, to the congressional committee, which succinctly states the concepts underlying the military retired pay system:

"The military retirement system is designed to assist the Armed Forces in the recruitment and retention of effective personnel. The study committee recognized that the military profession has many special and unique characteristics which affect its personnel policies and procedures. The military retirement system, therefore, cannot be evaluated simply in terms of comparisons with other systems of retirement benefits. * * * The military retirement system, as a part of the personnel procedures of the Armed Forces, must take into account two basic factors: First, the military profession is a hazardous profession, although short of war, the hazards fall hardest on a small minority. The U.S. Government recognizes hazard as a basis for differential rates of pay for selected military occupations, in the form of hazardous or combat pay. Hazardous duty is used as a basis for retirement benefits by means of disability benefits for those who are physically and emotionally incapacitated while on active duty. Second, and more relevant for the problems of recruitment and retention, is the fact that the military profession does not offer a lifetime career. In a political democracy, no individual is guaranteed such employment opportunity but at least in civilian society, he has the potentialities for such employment and is not confronted by the fact that after 20 or 30 years he is certain to be eliminated from his basic occupation.

"Defense needs since 1947 have required * * * a much larger Defense Department than was anticipated in the immediate postwar period. The active duty force has fluctuated from a low of 1,398,726 in 1948 to a high of 3,685,054 in 1952. Since 1958, the active duty force has stabilized at approximately 2½ million people. To provide officers for the services, especially in the ranks corresponding to the ranks of Army captains and majors (officers who should serve from 5 to 20 years), it has been necessary to encourage many Reserve officers to remain on active duty. One method of encouraging continued service is the provisions for voluntary retirement at 50 percent of base pay (2½ times years of service) after 20 years of service, with permission of the Secretary of the service. The 20-year concept, or early retirement, as it affects officers, exists for two reasons: To encourage continued service of Reserve officers and to provide another means of maintaining the vigor of the services."

The concept underlying the civil service retirement system differs. Its basic purpose is to promote full or lifetime careers in the civilian Federal service aggregating from 30 to 35 years of service. The system includes liberal provisions for disability retirement and immediate discontinued-service annuity to cover those situations where disability or involuntary separation prevents the individual from serving out a full career, but these are additions to the basic age-and-service retirement provisions which are and should be designed to encourage the completion of a full career.

Enclosed is a copy of an article from the Washington Post of May 21 which appears pertinent to this issue. From the import of this article, it would seem highly

questionable to use the 20-year voluntary retirement provision for the military as a precedent for legislating a more liberal early retirement option for civilian employees.

Item 3: Senator Fong inquired whether the Commission had statistics on the salary characteristics of 30-year employees retiring between the ages of 55 and 60. At the time, I indicated that our available information in this area was not recent enough to be useful and that the desired statistics would be submitted after our next valuation of the retirement system as of June 30, 1963. On returning to my office, I found that we do have data on this point which is quite recent (fiscal year 1961) and that we can comply with the request at once.

Awards in fiscal year 1961

High-5, average salary	Optional—reduced annuity 30 years, age 55-59		All nondisability retire- ments	
	Number	Percent of total	Number	Percent of total
Under \$1,200	10	0.3	512	1.5
\$1,200 to \$2,399	42	1.3	1,763	5.2
\$2,400 to \$3,599	26	.8	2,452	7.3
\$3,600 to \$4,799	305	9.7	8,532	25.3
\$4,800 to \$5,999	1,692	54.0	11,927	35.3
\$6,000 to \$7,199	547	17.5	4,168	12.4
\$7,200 to \$8,399	220	7.0	1,704	5.1
\$8,400 to \$9,599	94	3.0	952	2.8
\$9,600 to \$10,799	76	2.4	673	2.0
\$10,800 to \$11,999	62	2.0	471	1.4
\$12,000 and over	62	2.0	573	1.7
Total	3,136	100.0	33,727	100.0

Item 4: You suggested it would be useful to conduct a survey of the optionally retired group to ascertain (a) their stated reasons for choosing to retire, and (b) the extent to which they engage in gainful employment after retirement. The Commission agrees that a survey of this nature would provide useful and needed information and we plan to conduct such a survey on a sample basis as soon as practicable. As was brought out at the hearings, however, the Commission did not budget for a project of this sort and it will have to be done when possible within existing limits of funds and manpower.

The Commission's retirement and insurance work force is now fully committed to regular day-to-day operations plus having absorbed two added major tasks: (1) Placing into effect the retirement liberalizations and annuity increases enacted last October (payment of which was not authorized until May 17) and (2) adjusting the monthly rates of the thousands of annuitants covered under the retired Federal employees health benefits program to reflect the higher Government contribution authorized effective July 1, 1963. It is expected that these retirement and health benefits changes involving the entire annuity roll will result in a backwash of sharply increased correspondence lasting well into fall. Under these circumstances, it is not possible to predict definitely when the workload will permit diversion of the resources necessary to accomplish the proposed survey of the optionally retired group.

Sincerely yours,

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

[From the Washington Post, May 21, 1963]

RIISING EXPENSE OF RETIREMENTS MAY LENGTHEN MILITARY TERMS

(By John G. Norris, Staff Reporter)

Sharply rising outlays for retirement pay may force military men to serve longer in uniform to earn retirement, Pentagon officials indicated yesterday.

At the urging of the House Armed Services Committee, the Defense Department has started an exhaustive review of the future impact of present laws permitting voluntary retirement after 20 years of service. The study is directed as possible changes to reduce costs.

Current estimates are that annual appropriations for retired pay will mount from \$1,017 million this year to \$2 billion in 1970 and more than \$4 billion in 1980, as hundreds of officers and career enlisted men who entered service in World War II and in the expanded peacetime forces since then earn their pensions.

Officials emphasized that the study is just getting underway and there will be no decision for months. But they said there seemed no way of holding down costs other than by lengthening the minimum service for retirement to perhaps 25 years.

One alternative being considered is stepped-up pay for persons with unusual skills who would stay on for 30 years and reduced pay for those who retire after 20 years. Another is the possible withholding of retired pay after leaving the service until a fixed age, plus Government help in establishing a second career.

A major obstacle to such moves is that they would discourage capable men from making the service a career by slowing promotions and cutting retirement benefits. The services want young and highly able men to man modern weapons.

The problem is most acute in the enlisted ranks. A majority of men elect to take their lifetime pensions after 20 years of service, while still in their early forties or younger. Most officers started older, and want to stay in longer unless forced to retire after failing to get promotions.

Pentagon chiefs reject suggestions that a contributory system—such as is in effect in the civil service and industry—be adopted. They say it would cost more as the Government would have to refund the contributions of those who serve less than the required number of years.

Senator McGEE. Mr. Macy has referred to S. 620. I know that other witnesses will be referring to Senator Fong's bill. I shall order that it be placed in the record at this point so that it will be a part of the official record.

(S. 620 is as follows:)

[S. 620, 88th Cong., 1st sess.]

A BILL To amend the Civil Service Retirement Act so as to permit retirement of employees with thirty years of service on full annuities without regard to age

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

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

(b) Section 6(b) of such Act is repealed.

(c) Section 9(d) of such Act is amended by striking out "6(b) or".

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

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

Senator McGEE. The next witness is Phillip S. Hughes, Assistant Director for Legislative Reference, Bureau of the Budget.

**STATEMENT OF HON. PHILLIP S. HUGHES, ASSISTANT DIRECTOR
FOR LEGISLATIVE REFERENCE, BUREAU OF THE BUDGET,
ACCOMPANIED BY DAVID McAFEE, PERSONNEL MANAGEMENT
BRANCH**

Mr. HUGHES. Thank you, Mr. Chairman. With me is Mr. Dave McAfee, Personnel Management Branch.

Mr. Chairman, I would first ask that our report on S. 176 and S. 620 be placed in the record.

Senator McGEE. Your report will appear at this point in the record.

(The report is as follows:)

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

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

DEAR MR. CHAIRMAN: Reference is made to your requests for the views of the Bureau of the Budget with respect to S. 176 and S. 620, both bills relating to retirement of Federal employees after 30 years of service.

S. 176 would grant retirement on full annuity after 30 years' service and the attainment of age 55; S. 620 would establish the right to retire after 30 years of service regardless of age.

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

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

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

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

The Civil Service Commission has recently submitted for consideration of the Congress a proposal for improving the financing of the Civil Service Retirement System which will involve increasingly larger agency contributions over the next 22 years. These increased contributions are needed to help meet the cost of past-service liabilities incurred as a result of earlier liberalization of benefits including the present early retirement provisions. Enactment of S. 176 or similar bills would have the effect of increasing past-service liabilities as well as normal costs.

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

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

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Senator McGEE. You may now proceed, Mr. Hughes.

Mr. HUGHES. Mr. Chairman and members of the committee, I appreciate this opportunity to give you the views of the Bureau of the Budget on S. 176 and S. 620, bills which would permit retirement on immediate full annuity after 30 years of service. S. 176 would set a minimum age limit of 55 years; S. 620 would be on the basis of service alone, regardless of age.

We oppose these bills for a variety of reasons: First, we believe the objectives of these bills are in direct violation of the two principles

which the Salary Reform Act of 1962 established as the basis for fixing the compensation of Federal employees. Section 502 of the act (Public Law 87-793) states in effect that:

(a) There shall be equal pay for substantially equal work; and

(b) Federal salary rates shall be comparable with private enterprise rates for the same levels of work.

Retirement annuities constitute a form of deferred compensation. The principle of equal pay for equal work would require that the provisions under which annuity benefits are computed should be such that employees who have rendered the same quantity and quality of service during their active careers should receive identical benefits. The following example will illustrate the inequity which would result if S. 176 were enacted. S. 620 would permit even greater inequities.

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

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

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

Under the present retirement formula, 30 years' service with a high-five average salary of \$6,000 will produce an annuity of \$3,375. Mr. Smith's retirement income would be 16.59 times \$3,375, or a total of \$55,990. Since age 60 is the normal retirement age of the system, the \$55,990 represents the standard amount of "deferred compensation" earned by 30 years' service at this level of work.

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

Thus, if this legislation is enacted, it will permit employees, merely because they started younger, to receive 22 percent more compensation than their counterparts who started their Federal careers at a later age.

As a matter of fact, the present 1-percent-per-year reduction on annuities beginning at ages under 60 is considerably less than the deduction which should be made to insure that Jones and Smith receive the same benefits for identical service. Some inequity, therefore, already exists. But this legislation would, as we see it, compound the inequity and increase to the maximum the violation of the principle involved.

While the Salary Reform Act of 1962 which established the principle of comparability with regard to Federal salary levels did not

refer specifically to fringe benefits, it is logical that the principle be extended to other forms of compensation. One reason for this was the lack of specific information about fringe benefits in private enterprise. I might mention that arrangements have been made for the Bureau of Labor Statistics to conduct a fringe benefits survey during the next fiscal year. This survey is expected to provide information that will permit a valid comparison of private industry practices and expenditures with regard to fringe benefits with those of the Federal Government.

At this time we do know that the standard retirement age in private enterprise is 65 years. It is true that there is a trend toward provision for early retirement in private systems but invariably the annuity provided for retirements under age 65 is the present actuarial worth of an annuity allowable were the employee 65 years of age. The actuarial reduction usually amounts to 5 percent or 6 percent for each year under age 65 at which retirement occurs.

The provisions of the Social Security Act, which establishes age 65 as the "normal" retirement age, have recently been revised to permit men to retire at age 62 (women have been able to retire at 62 for some time). But election of retirement at age 62 results in an annuity reduced to its true actuarial value.

In comparison with private enterprise, the current provisions of the civil service retirement system which establishes age 60 as the "normal" retirement age and permits early retirement at age 55 with an annuity reduced by only a small fraction of the true actuarial adjustment for years under age 60 are extremely liberal. In these circumstances, further liberalization does not seem warranted at this time.

The Bureau of the Budget firmly believes that, generally speaking, payment of civilian retirement benefits should be related to the attainment of an age generally associated with the close of a career and not merely to the completion of a prescribed number of years of service. In some cases it is in the interest of an employee to retire before reaching the normal retirement age, and we believe that when an employee has good personal reasons for retiring early he should be permitted to do so. By voluntarily exercising the option, however, he should not reap an inequitable financial advantage over the majority of employees who serve out a normal career. The fact of the matter is that the present "55-30" provision with its 1 percent per year reduction constitutes a very good bargain. To offer even greater financial inducement for early retirement is contrary to the best interest of the Government and unfair to the great majority of Federal employees who, because they started their Government career at age 30 or later, could never qualify for retirement prior to the normal retirement age.

Another basic objection to these measures is their cost. The exact number of additional early retirements which might occur should either of these bills be enacted is, of course, a matter of conjecture. However, it we assume that enactment of the provision permitting retirement on full annuity after 30 years' service (S. 620), the Civil Service Commission estimates that the annual cost, on a normal cost plus interest basis, would be approximately \$67 million, with an increase in the unfunded liability of \$943 million. If we assume that a 25-percent increase in retirements would follow enactment of S. 176 (full annuity for 30 years' service at age 55), the annual cost, on normal cost plus interest basis, would be \$23 million with an increase

of \$328 million in the unfunded liability which is already nearly \$34 billion. The Bureau of the Budget does not believe that such increases in the obligations of the Government are justified.

Elimination of the reduction factor for 30-year retirement at age 55 would be tantamount to establishing age 55 as the "normal" retirement age for Federal employees. Studies published by the Department of Labor indicate that this decade will see an actual decline in the number of workers in the 35 to 44-age group because of the low birth rate of the 1930's. The study concludes that future manpower requirements will increasingly have to be met by younger and older workers. For a variety of reasons, it is the policy of the Government to encourage older workers to continue in active employment as long as they are able. Government agencies are urging private employers to eliminate discriminatory practices with regard to the employment of older workers. In these circumstances it would be inconsistent for the Government to enact legislation encouraging employees to retire at age 55.

The fact of the matter is that employees who have 30 years' experience by the time they reach age 55 possess skills and abilities that the Government can ill afford to lose. The Labor Department's study points to the rapid growth in the demand for occupations requiring higher skills—professional, managerial, technical, clerical, and craftsmen. It warns that unless educational and training facilities are greatly expanded workers in these categories will be in short supply. In view of this forecast, we are convinced it would be in the best interest of the Government—or the Nation—to encourage employees with these skills to leave the labor force prematurely.

That concludes my statement, Senator McGee. Mr. McAfee and I will be happy to answer any questions you may have.

Senator MCGEE. Your assessment of this then on behalf of the Bureau of the Budget is largely from the point of view of actuarial consideration? You are not attempting to pass judgment on it in terms of morale or what it would do to the caliber of personnel in the system?

Mr. HUGHES. We have not attempted to do so directly, Mr. Chairman, no. We have tried to assess the costs, the relationship of the proposal to what we believe to be sound management practices, and taking into consideration morale factors as we see them, but our emphasis has been on the considerations of equity which I have emphasized and on the cost of the proposal.

Senator MCGEE. What you mean by equity would take into account morale?

Mr. HUGHES. To this extent, yes.

Senator MCGEE. Then by equity you means dollars and cents?

Mr. HUGHES. As between two similarly situated employees.

Senator MCGEE. You would then be ruling out, I would assume, that there would be any advantage to the service in terms of personnel on making it deliberately attractive to a younger person to start his career from the very outset?

Mr. HUGHES. Certainly retirement is a form of compensation and liberalization of retirement is liberalization of compensation. The interaction of liberal compensation and the kind of factors which I have discussed here is a very difficult thing to appraise. In the net, as we set it, there would be no gain moralewise from this type of provision.

Senator MCGEE. You do not believe that with this kind of liberalization that the incentive at all, the attractiveness to a younger age group, would just on the statistical basis, make it more attractive to a higher caliber person?

Mr. HUGHES. I certainly have no precise judgment or data on this. The effectiveness of early retirement and liberal retirement provisions on employees who are entering the service at age 18 or 20 or 21 perhaps is a very difficult thing to evaluate. I am sure I cannot do it precisely. It seems to me, and I think, the evidence to the extent that we have any relating to this earlier retirement is that the effect of this as an incentive is rather minimal.

Senator MCGEE. The reason I point up those questions is that I was really questioning the appropriateness of your position in trying to equate, however sincerely, some of the morale factors here with a budgetary consideration. I understand the actuarial concern which was expressed.

Mr. HUGHES. I think we would be interested, Mr. Chairman, in the personnel management aspects of this as well as in the costs of it. Though more removed from the personnel practices—more removed, that is, than the Commission—we would try and evaluate other considerations than budgetary ones on the basis of advice from them and on the basis of our own experience and the agency experience as reported to us in handling budgets and otherwise.

Senator FONG. Mr. Hughes, do you feel that enactment of these two bills would take power away from the fundamental idea of retirement? Is that correct?

Mr. HUGHES. It would take us a further distance away from the idea of retirement at the completion of a career, which we think is the desirable objective.

Senator FONG. He is at an age where he should enjoy the fruits of his labor.

Mr. HUGHES. Yes.

Senator FONG. And not because he has given a certain number of years and that he should automatically take it.

Mr. HUGHES. Yes, that is correct.

Senator FONG. Now you talked about comparability under the Salary Reform Act of 1962. We did give the employees a salary increase based on comparability. In the matter of comparability between Government employees and employees in private industry in relationship to their retirement, the annuities that they received, what comments have you to make on that? Is there a comparability now?

Mr. HUGHES. There is in terms of pay levels, Senator Fong. With respect to fringe benefits, the information received on private industry practices, the information available, was quite limited and it was on this account that the recent adjustment and the studies that lead up to it did not deal with this factor. I made mention in my statement of the fact that the Bureau of Labor Statistics is now undertaking an analysis of private industry practices with respect to fringe benefits and we hope to have better information about this.

Senator FONG. Now in listening to your statement do I oversimplify when I say this: That in private industry the retirement age of 65 and in Government the retirement age of 60, is there a 5-year gain by the Government employee over his brother in private industry?

Mr. HUGHES. I would like Mr. McAfee to comment on that.

Mr. McAFEE. Senator Fong, as Mr. Hughes said, in private industry 65 is considered the normal retirement age. Now generally in private industry as far as we have been able to find out there is nothing quite equivalent to the way early retirement is handled in the Federal Government. Under the social security system, as he points out, early retirement in terms of age 62 rather than 65 has been adopted, but if one elects to take a retirement at age 62 under social security he qualifies for only about 80 percent of the pension that he would get at 65. In other words, the annual reduction is about 6 $\frac{2}{3}$ percent between ages 62 and 65.

Senator FONG. I am trying to establish the basic premise; that is, in private industry you retire at 65, in the Government you can retire at 60.

Mr. McAFEE. That is right.

Senator FONG. How do you relate the two in terms of compensation?

Mr. McAFEE. In terms of advantage. Since the Government's plan does not require any reduction in annuity at age 60 with 30 years' service, whereas the reduction in private industry would be something like 22 to 25 percent if someone retired voluntarily at age 60. In the Government you can retire at age 55 with a reduction of only 5 percent; in other words, get 95 percent of the annuity to which you would be entitled at age 60. In private industry with a straight actuarial reduction, which is the normal practice, the annuity would be 50 percent of the amount that one would draw at age 65.

In terms of comparability, this is one area where the Federal Government is far, far ahead of private industry. So, in effect, what Mr. Hughes was saying was if you look at this on the basis of the principle of comparability, this is not an area where the Government is in need of further improvement in order to match private industry.

Senator FONG. When you relate 60 years or 65 years, would you say the Government employee is already far ahead?

Mr. McAFEE. Yes.

Senator FONG. Then when you relate 55 years to 60 years, 65 years, then he is much further ahead?

Mr. McAFEE. Yes.

Senator FONG. And the Government has asked for a reduction of 1 percent per year from 60 to 55 whereas private industry from 65 to 62 has taken away 5 percent per year.

Mr. McAFEE. Social Security takes off about 6 $\frac{2}{3}$ percent per year between 62 and 65.

Senator FONG. Thank you.

Mr. HUGHES. Thank you, sir.

Senator MCGEE. Mr. James Rademacher, vice president, National Association of Letter Carriers, AFL-CIO.

STATEMENT OF JAMES RADEMACHER, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO, ACCOMPANIED BY J. DON KERLIN, LEGISLATIVE LIAISON DIRECTOR

Mr. RADEMACHER. Mr. Chairman and members of the committee, I am James H. Rademacher, vice president of the National Association of Letter Carriers. I am accompanied by our legislative liaison director, Mr. J. Don. Kerlin.

Our organization with headquarters in Washington, D.C., represents 165,000 members, 15,000 of whom are retirees, and the other 150,000 of whom are covered under the Civil Service Retirement Act making them eligible for benefits under the legislation being discussed here today.

We are pleased to have this opportunity to publicly endorse S. 176 which was introduced by the distinguished chairman of the Senate Post Office and Civil Service Committee, Olin D. Johnston. As we testify today, we also desire to go on record as strongly supporting S. 620, similar legislation introduced by Senator Hiram L. Fong of Hawaii. We appreciate the interest of Senator Johnston and Senator Fong in the welfare of Federal employees which is evidenced by their introduction of these meritorious bills. And, further, we commend all members of the Senate Post Office and Civil Service Committee for their continuing dedication to the improvement of the welfare of those employees who have chosen the Federal service for their careers.

For many years the members of our great organization have been urging legislation which would provide for retirement after 30 years of service. In fact, many resolutions have been approved by our national conventions urging 25-year retirement.

I might say there is increasing enthusiasm for 30-year retirement. This morning's mail brought me this pin which indicates "I am for 30-year retirement." It seems there is a national club now organizing to increase the enthusiastic interest in this.

Senator MCGEE. I would like to extend that club to the Senate.

Mr. RADEMACHER. We would be very happy to have you.

Senator MCGEE. We want to have the assurance for 30 years first though.

Mr. RADEMACHER. We concur.

At the outset it is the firm belief of the National Association of Letter Carriers that when an employee has served faithfully for 30 long years, he should be afforded the opportunity to retire—especially when he has contributed during all those years to the civil service retirement fund—without having his annuity reduced because of an age factor.

Attitudes change through the years and the reasoning of people likewise changes. Where we might have appeared before this committee and pointed out how the retirement of thousands of Federal employees might vitally aid in the employment of the unemployed, we choose to introduce an equally serious thought on the subject at this hearing today.

Making it possible for thousands of Federal employees to leave the postal service after 30 years of service certainly would provide vacancies which could be filled by the unemployed. We certainly would add our sympathetic understanding to this problem and can readily see how the passage of S. 176, and other similar bills, would be beneficial.

Our main theme, as we urge the enactment of an earlier optional retirement law, is that some immediate attention can be given to the ever-growing problem of the retiree who has been forced to leave his Federal position for reasons of disability. Each year the number of employees retiring for reasons of disability increases. The total number of retirees added to the retirement rolls during the past fiscal year was 50,524.

Shocking as it may appear to this committee, one-third of all retirees who left the service during fiscal 1962 did so for reasons of disability. There were 16,728 applications for disability retirement approved during the last fiscal year. The average age of these employees was 55.4 years.

The current records indicate one-third of retirements to be for reasons of disability.

It would, therefore, appear that disability annuities are extremely costly to the civil service retirement fund. If the law would provide optional retirement without deductions at age 55, it is natural to assume that there would be less disability retirements. This assumption comes from the fact that many disabilities occur in later years. In the Post Office Department, the pressures of increased mail volume, continuing increased productivity, and the transition to mechanization and automation cause the senior employee to be more vulnerable to ailments such as heart disease, back problems, and mental fatigue.

If the employee retired after 30 years of service, the risk of ending a Government career on an annuity, based upon the disability provisions of the law, would be very minute.

In the case of the disabled veteran, compensation benefits are paid on the basis of "degree of disability." There are those who are entitled to 10 percent, while those who are more disabled receive a higher benefit based upon their military service-connected disability. Meanwhile, in the Federal service under provisions of the Civil Service Retirement Act, an employee must be totally disabled before his application for disability retirement is approved.

Section 1(g) of the act states that—

the terms "disabled" and "disability" shall mean totally disabled for useful and efficient service in the grade or class of position last occupied by the employee or member by reason of disease or injury not due to vicious habits, intemperance, or willful misconduct on his part within the 5 years next prior to becoming disabled.

There are many Federal employees today who are disabled but who do not qualify under the provision of being totally disabled. Therefore, this employee is forced to remain in Government employment despite aggravation or discomfort, unless he chooses a deferred annuity. In order to eke out a livelihood, we find there are many Federal employees who are actually unable to perform their full 8 hours daily, and who are required to either use up their sick leave or be placed in a without-pay status for those hours during which their physical condition does not permit them to work.

Actually the enactment of S. 176 would not produce wholesale retirements but would permit those employees who, for physical reasons or otherwise, desire to leave their employment, to do so.

One of the most important inducements to enter the Federal service should be the retirement program; and certainly a liberalization of the present law would attract more employees, and at an earlier age. We understand the average age of entry into Federal service to be 27 years. With 30 years of service, most employees would be close to age 60 but would find their annuity reduced at age 57 under existing law. If a person interested in Government employment were to find a retirement program which provides for optional retirement after 30 years of service, more and more young people would be recruited directly from high school or college, as the case may be. The

Government would benefit from the employment of people during their most productive years.

As the Federal employee ages, especially in the postal service, it becomes more and more difficult for him to perform at the required capacity. After pounding the pavements for 30 years, most letter carriers find increased pressures upon them to compete in such a productive agency. Many become discouraged that their maturing bodies can no longer cope with the strenuous performance which is necessary in the postal service regardless of age.

In an agency such as the Post Office Department, where a very small percentage of employees is ever promoted to higher level positions, earlier optional retirement would definitely be an incentive for seeking such Government employment. It would be an attraction just as the earlier retirement plans in the military and city governments are an incentive.

I would like to mention, before concluding my remarks on this most important and timely proposal, the economic value to the Government of permitting Federal employees to retire on an optional basis, at an earlier age, without reducing their annuities. For example, in the Post Office Department if an employee is 55 years of age and does have 30 years of service, his present salary (although considered to be inadequate) is \$6,165. If the law permitted this employee to retire under the provisions of S. 176, the vacancy would be filled by an employee whose salary would begin at \$4,565. This would be a saving to the Government of \$1,000 annually for each employee. In addition, the fringe benefits are far less for the new employee than for the senior employee. For example, the replacement of the retiree would receive only 13 days annual leave while his predecessor earned 26 days' annual leave.

Of course, there is also the income tax factor where the retiree would unfortunately find his annuity taxed after the third year following his retirement. The Government would likewise receive taxes from the wages of the replacement. The above are serious economic factors that will prove to be sound arguments for the economy which can be derived from the enactment of S. 176.

I would like to cite an example of the savings to the Government if 1,000 postal workers retired under the provisions of S. 176. With the stated savings of \$1,000 per new employee, there would be a saving of over \$1.5 million annually on just the retirements and replacements involved. It can be anticipated that more than 1,000 persons shall take advantage of such legislation; but as stated above, there would not be a wholesale exodus of Federal workers as a result of this legislation.

Mr. Chairman, and members of the subcommittee, our organization stands firmly behind the proposals to permit Government employees to retire after 30 years of service, without having to suffer a reduction in their annuities. We appreciate the opportunity granted us today to present our views on this important subject. The enactment of S. 176 would not only be the passage of progressive legislation, but actually it would be an act of mercy which would promulgate efficiency and economy in Government.

Mr. Chairman, if I may permit or if the Chair will permit a few very brief observations by Mr. J. Don Kerlin who is, as I said, our legislative liaison director.

Senator MCGEE. All right.

Mr. KERLIN. Thank you.

Mr. Chairman, thank you for permitting me to make a few remarks in connection with this very important measure. It feels rather natural and comfortable to again be back in this room where I spent so many years.

When Senator Johnston first introduced this bill a number of years ago, I was convinced then that it was a sound, wise, and progressive measure. Since that time I have become even more convinced with the wisdom of the measure.

I think Chairman Macy of the Civil Service Commission and Mr. Hughes of the Bureau of the Budget made a splendid case for enactment of this bill. If we were talking about creating a new right, I would not make that observation but we are not talking about a new right under existing law. Under existing law an employee with 30 years service may retire optionally at age 55. To do so at that age he would take a 5-percent reduction in his earned annuity. Thus, eliminating all the fuss and feathers, we come down to one essential fact. We are simply talking about whether or not he must suffer a reduction in his annuity. That is all that is involved.

Very careful studies of those on the retirement roles divulge a number of very pertinent facts. One, 28 percent of those now on the retirement role are there because of disability. This it seems to me should disabuse the idea that Federal employees quit willy-nilly when they have reached retirement age. This simply is not the case. Federal employees retire for four principal reasons: (1) Advanced age; (2) poor health; (3) dissatisfaction with the job; or (4) to accept a better job in private employment.

Now let us look at those four reasons and analyze them. If a person has reached advanced age, this or any other bill is not going to change the situation. If a person is offered a better job, this or any other bill is not going to change his accepting the better job. So we get down to two things: poor health or dissatisfaction with the job. Mr. Chairman, I would contend that if an employee is in poor health or dissatisfied with his job, it is in the public interest to let him go. Let him go quietly.

Under the Retirement Act you must suffer 100-percent disability in order to retire. The committee many times has been faced with consideration of whether retirement should be based on 10, 20, 30, 40 or a percentage of disability. The Congress has never favored that, and I think wisely so. I think we all recognize that a man may be partially disabled, may not be able to perform up to the full expectation of himself or the Government or the public, and in those instances it would be in the public interest to let him go.

The chairman asked about what is the employment record of the retirees. I happen to know many instances where persons have retired and have gone into private employment, but here is what happened. The rural letter carrier, for example, who is unable because of arthritis or other illness to work 8 hours a day will quit the Government and he will work 2 hours perhaps driving a bus during rush hours. We may have a customs inspector who cannot board ships and work 8 hours a day but will serve 2 hours a day as security officer at some plant. We may have firefighters who cannot do the job 8 hours

a day but will take a part time job. He is not 100 percent disabled, thus cannot retire, but under this provision he could retire without reduction in his earned annuity. This would be in the public interest; the Government would have fully efficient employees and could expect employee morale to go up.

Thank you, Mr. Chairman. If you have any questions, I would be happy to answer them.

Senator McGEE. Thank you both for your comments and the ideas that you have shared in this with the members of the committee.

I think that an important point you submitted to us is that liberalization of these measures would increase the caliber of the service and the attractiveness of the service to those interested in a career with the Government, which in my opinion is all to the good because unless and until we can make this business of Government as high and attractive and effective and efficient as any other profession, until that point is reached I suspect we are going to be falling short of our goals in trying to make a free society as attractive as it ought to be in our own midst and in other parts of the world. I support very strongly anything that will intensify the performance and increase the stature of the Federal service.

Senator Fong, do you have any questions you would like to ask?

Senator FONG. Mr. Rademacher, you referred a lot to disability retirement in your prepared statement. You said there were 426,031 on the retirement rolls on June 30, 1962, and of this number 210,294 were receiving benefits under disability retirement.

Now could you tell us what percentage of this disabled employee's salary is paid to him if he retires as a disabled person?

Mr. RADEMACHER. A disabled employee, thanks to the Congress, is entitled to no less than 40 percent of his salary. You will find that most of the employees are in that bracket, about 40 percent of what his salary would be.

Senator FONG. That is of the earned annuity, is that correct?

Mr. RADEMACHER. Salary. His annuity would be 40 percent, no less than 40 percent of what his salary is today upon retirement.

Senator FONG. Of these 426,031 employees, probably one-half of them are under disability retirement earning about 40 percent of their salaries?

Mr. RADEMACHER. Yes, sir; and if I may just add that last year when 16,728 retired for disability reasons, their annuities averaged only \$161 monthly. That will give you an idea of what the annuity amounts to.

Senator FONG. Yes. Now you say that if these employees were allowed to retire at any age or at the age of 55 with 30 years' employment, then the ones who will be retired under disability retirement would decrease. Were you making a point there that there will be a savings to the Government?

Mr. RADEMACHER. It is natural to assume that the disability retirements come about at a later age in life, and if you permit the employee to retire at an earlier age he is not going to have to accept disability retirement. So he is naturally, by retiring at the normal optional retirement, going to save the Government money in the long run. The reason of course why you have the retirees under disability is because

they are living longer than the people who retired on an optional basis.

You have only one-third of the people retiring every year, our disability retirees, but one-half of all retirees are under the disability provisions. We feel there will be a substantial savings and actually an increase in productivity and efficiency. When you have an employee who is upward in years, say at age 55, and he is only struggling through his job daily until such time as he reaches an age when he can get out without a reduction, the Government is not benefiting by the employment of that man. Certainly the man is not benefiting his condition, either.

Senator FONG. You are not getting his peak productivity.

Mr. RADEMACHER. No, where a younger person replacing him would produce more efficiently.

Senator FONG. You might have quite a number of employees in that category.

Mr. RADEMACHER. Yes, because it is called to our attention frequently how many people apply for retirement and are rejected because they are not totally disabled. These are people who have gained heart conditions because of their employment, back problems, but they still are considered as physically able to perform their duties. The people who rate them as such do not stop to consider how arduous the duties are, so they allow them to remain on in this condition.

Certainly the passage of this bill would protect a great many people. You would find, even though, as has been stated earlier, there might be suddenly next year many who would take advantage of this, and there may not be, but there would be the person taking advantage that cannot get out today because he is not totally disabled. As I said in my closing remarks, it would be an act of mercy which will promulgate efficiency and increase productivity for the Government.

Senator FONG. If a man has 30 years of service, he would naturally take retirement?

Mr. RADEMACHER. Yes.

Senator FONG. More than what he would be paid under this other?

Mr. RADEMACHER. You are right, sir.

Senator FONG. I have no further questions.

Senator MCGEE. Thank you very much, Mr. Rademacher, for making your contribution for the record.

Now Mr. Max Jordan, president of the National Rural Letter Carriers Association, accompanied by John Emeigh, secretary.

While they are coming to the table, I want to place in the record here a telegram received today.

(The telegram is as follows:)

BREMERTON, WASH., MAY 13, 1963.

Senator GALE W. MCGEE,
Chairman, Retirement Subcommittee, Washington, D.C.

DEAR SENATOR: Local 8 Retirement Federation, representing all Federal employees in Northwest feel that enactment of S. 176 would relieve positions for younger men, allow retirement for travel and enjoyment, and stimulate the economy, please act favorably on S. 176.

Respectfully,

J. R. BOND,
Chairman, Legislative Committee.

Senator MCGEE. You may proceed, Mr. Jordan.

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

Mr. JORDAN. Mr. Chairman, members of the committee, for the record I am Max H. Jordan, president of the National Rural Letter Carriers Association, an organization of 40,000 substitute, retired and regular rural carriers. I am accompanied by Mr. John W. Emeigh, secretary of our organization.

I am pleased to appear here today and testify in support of S. 176, introduced by the distinguished chairman of the Committee on Post Office and Civil Service, Senator Olin D. Johnston, of South Carolina. We deeply appreciate the fact that he has sponsored such legislation. We also appreciate the introduction of a similar bill by Senator Hiram L. Fong of Hawaii.

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

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

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

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

The small number who presently retire at age 55 fully substantiates our opinion that removal of a penalty in the form of reduced annuity would not result in any tremendous increase in the number who would elect such optional retirement.

And, if the provisions of S. 620 were to be adopted, we also would not believe that the total number retiring under the liberalized provisions would greatly increase.

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

The position of our association is that there should be no reduction in annuity when an employee desires to voluntarily elect retirement after 30 years of service. In general, certainly within the rural delivery service, there would need to be some extenuating circumstances which would cause the employee to desire to exercise such retirement

privilege, particularly if under age 55—the point at which he can presently retire with a reduction in annuity.

We feel that, except for a possible small minority, such retirements would in most cases be due to health reasons; that is, cases where the individual may be suffering illness or disability which indicates he should discontinue his work but where it may be impossible to establish a degree of disability warranting disability retirement.

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

We wholeheartedly endorse S. 176 and trust the committee may be able to report the bill in the near future.

Senator MCGEE. Would it be your judgment that were this liberalization to be enacted that it would have the effect of attracting higher caliber people, let us say, at a very young age to go into the service?

Mr. JORDAN. That is a very good possibility, yes.

Senator FONG. And that the efficiency would be greater in the civil service?

Mr. JORDAN. As a result of that, yes, sir.

Senator MCGEE. I have no further questions, Mr. Jordan.

Mr. JORDAN. Thank you very much, Mr. Chairman and Senator Fong.

Senator MCGEE. Next is Mr. C. L. Dorson, president of the Retirement Federation of Civil Service Employees of the U.S. Government.

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

Mr. DORSON. Mr. Chairman and members of the committee, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees of the U.S. Government, an organization of approximately 95,000 members, most of whom are presently employed in the Department of Defense.

At the outset, we should like to express our thanks to the author of S. 176, Senator Johnston, and to this committee for their great interest in the Federal employee which makes consideration of this most desired legislation possible.

Retirement after 30 years' service, without reduction for age, is not new on the Federal employee's "most wanted list" of benefits. It has been the subject of countless bills since 1920 and is probably the most desired benefit of them all. I know it tops the list of my organization's legislative aims and has for many years.

The proposal in S. 176 is not without precedent in other retirement systems and even, to some extent, in the civil service retirement system which permits the retirement, under section 6(c) of certain employees at age 50 with only 20 years' service. Foreign Service officers enjoy the same privileges.

Probably the largest group of Federal personnel now entitled to optional retirement benefits without regard to age are those in the uniformed services. Both officers and enlisted personnel of the Army, Air Force, Navy, Marine Corps, Coast Guard, and the Military Nurse Corps may retire optionally, at any age, with as little as 20 years' service. Personnel of the Coast and Geodetic Survey and officers of

the Public Health Service have such option after 30 years' service. It is worthy of note that all of these systems are noncontributory, but the employees subject to the civil service retirement system contribute 6½ percent of their pay toward the cost thereof.

Among private systems providing benefits similar to those proposed in S. 176 are those of the American Telephone & Telegraph Co. and its subsidiary companies. These also are noncontributory systems.

It seems reasonable to assume that the provision of these benefits, without cost to the recipients, must have some real and practical value to the employer as well as the employee, else they would not be continued. We believe the same values would obtain in the case of those to whom S. 176 would apply.

This legislation is neither new nor strange to this committee. Similar bills were reported favorably in the 78th Congress, S. 1371, in the 84th Congress when S. 2875 and H.R. 7619 passed the Senate, and in the 87th Congress when S. 188 was reported. We ask that you repeat by reporting S. 176 favorably at an early date.

Mr. Chairman, we are most grateful to the committee for this opportunity to express our views.

Thank you very much.

Senator MCGEE. Are you saying to this committee that in terms of the liberality of the proposed legislation that there are already substantial numbers of Federal personnel eligible under more liberal systems as well as those among some private systems likewise eligible in programs that are noncontributory?

Mr. DORSON. Yes, Mr. Chairman, this is true; the military being perhaps the largest and even at least one private system of which we are aware, A.T. & T. and at least some of its major subsidiaries.

Senator MCGEE. Inasmuch then that this is a contributory system, in your view this would not be a particular abuse of the direction of liberality if this legislation were to be enacted?

Mr. DORSON. We do not believe it would, Mr. Chairman. We think that the cost would be small. I do not deny that there would probably be some cost, I am unable to say how much. I do think, however, that Senator Johnston came pretty close to estimating it the year before last when he estimated the cost to be something less than \$250,000, I believe. I think he came closer than the billion-dollar figure but I can neither substantiate that figure nor deny that the figures of the Commission and the Bureau of the Budget are true. I expect that there will be some cost involved, I have no question with regard to that. I do believe, however, that a Federal employee has benefits demonstrably less liberal in at least these respects while paying 6½ percent of his entire salary, his basic salary, toward the cost of these benefits than do people in similar circumstances in noncontributory systems who are paying nothing; that is, in the way of salary.

Senator MCGEE. So the issue really is equity across the board—conceivably those are the ones that argue rationally that he ought to be relieved of contributing this 6½ percent and still get the liberal allowance that others get.

Mr. DORSON. I think that is a fair statement, Mr. Chairman. We do not propose it, of course, but when you get down to equity as the committee knows in a great many instances the employees, of the Department of Defense particularly, work right alongside those in

the military doing similar things in the same places. The military man can retire with as little as 20 years of service without reduction and at no cost insofar as salary deductions are concerned to him. The Federal employee is paying 6½ percent of his salary, has less liberal provisions. There are other emoluments of course on the military side which tend to outweigh or completely prevent this from becoming out of balance. However, I think it is a fair statement to say that in a great many instances, and I am sure Senator Fong is aware of this, having a shipyard in his State, that it is the case of the civilian and military personnel quite often working side by side.

Senator MCGEE. I have no further questions.

Senator FONG. No further questions.

Senator MCGEE. Thank you very much for your contribution.

Mr. DORSON. Thank you.

Senator MCGEE. This concludes the list of witnesses for the session today.

Mr. GULLEDGE informs me that a number of statements have been submitted for the record. Are they all in support of this legislation, Mr. Gullledge?

Mr. GULLEDGE. Yes, Senator, that is correct.

Senator MCGEE. Please select an appropriate place in the record for them to show, Mr. Gullledge.

This hearing is now recessed, subject to the call of the chair.

(Whereupon, at 4:45 p.m., the subcommittee recessed.)

RETIREMENT AT AGE 55 WITH 30 YEARS' SERVICE

MONDAY, JUNE 3, 1963

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

The subcommittee met at 10:30 a.m., pursuant to recess, in room 6202, New Senate Office Building, Senator Gale W. McGee (chairman of the subcommittee) presiding.

Also present: William P. Gulletge, staff director and counsel; Frank A. Paschal, professional staff member.

Senator McGEE. The hearings on S. 176 are now resumed.

The Retirement Subcommittee of the Committee on Post Office and Civil Service began hearings on this measure on the 14th of May, at which time we had statements from Mr. John Macy, Chairman of the Civil Service Commission; the Honorable Phillip S. Hughes, Assistant Director, Bureau of the Budget; Mr. James Rademacher, vice president, National Association of Letter Carriers; Max Jordan, president of the Rural Letter Carriers Association; and C. L. Dorson, president, Retirement Federation of Civil Service Employees of the U.S. Government.

In addition, at that time, we had other statements submitted for the record.

In resuming these hearings, we have a number of witnesses to be heard, and some additional statements to be supplied for the record.

I can say that I have just returned from Sheridan, Wyo., the State convention of the postal clerks, and in view of the sentiment expressed there, I would suggest that maybe the evidence was overwhelming, if not always of undivided counsel.

The first witness today is Mr. John Griner, president of the American Federation of Government Employees.

Mr. Griner, would you step forward?

May I say to the witnesses this morning at the outset that if in any way you want to digress or to summarize or to recap the burden of your remarks for emphasis, and in the interest of saving whatever time you may be interested in saving, your full text will appear in the record.

STATEMENT OF JOHN F. GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. GRINER. Thank you, Mr. Chairman and members of the committee.

My name is John F. Griner. I am the national president of the American Federation of Government Employees.

To my left, I have Mr. George Meeker, who is our director of legislation, and to my right, Mr. W. J. Boss, who is our director of research.

Mr. Chairman, we heartily endorse S. 176. Even though we would like to see legislation which would provide for a full annuity after 30 years of service, regardless of age, we believe that S. 176 is a long step in the right direction.

This bill, which was sponsored by Senator Johnston, who is the chairman of the Senate Post Office and Civil Service Committee, is designed to liberalize the civil service retirement and disability system, and it is of major interest to our organization.

Improvement of the retirement system is not a one-sided objective. The benefit does not lie only on the side of the employee. Government also has a stake in advancing the system, for such advancement has at least two important advantages for management and the Government.

1. An attractive retirement system is one of the bulwarks of a career civil service. Without it, the employee would need in many instances either to work until well past the commonly accepted retirement age, or seek employment outside Government service offering higher pay or better retirement rights or both.

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

And at this point, I would like to place some emphasis on the words "ready and able," other than for disability purposes. It is the opinion of our organization that the words "ready and able" must be kept on a voluntary basis.

Any suggestion that the initiating action may come from management is repugnant to the American Federation of Government Employees, and we condemn such a suggestion whether it emanates from the Civil Service Commission or elsewhere in the Federal service.

In other words, we believe that if management had a right to force the employee out of service after 30 years of service and attainment of age 55, the average employee within the Federal service would become a political football.

The bill, S. 176, is patently an improvement of the civil service retirement system. This measure removes from existing law the 1-percent-per-year reduction now applicable between the ages of 55 and 60, but leaves in effect the 2-percent-per-year reduction applicable to a person under the age of 55 at the time of his retirement.

Just to explain that a little further: At present there is a reduction of 1 percent a year if an employee retires between the ages of 55 and 60, with 30 years of service. The same reduction is made if an employee retires on a discontinued service annuity with 20 or 25 years of service. In all three types of retirement, the present 1-percent-a-year reduction would be eliminated by S. 176.

There is presently a reduction of 2 percent a year for the employee who retires on a discontinued service annuity for each year he is under age 55, if he has had 25 years of service, and for each year he is under age 55 but not under 50 if he has had 20 years of service.

We concede that these provisions of this bill represent progress. However, the organization was mandated by the last national convention and by several preceding conventions to seek retirement on full

annuity after 30 years of service, with no limitation as to age. This objective we believe is entirely reasonable and fully attainable.

It is our view that retirement after 30 years of service at any age represents neither a utopian fantasy nor an intolerable burden upon the U.S. Treasury. Those who say that retirement after 30 years of service is too costly to the Government overlook the fact that persons in the military service may retire after 20 years or 30 years under a system which is completely noncontributory.

The military serviceman also represents an investment by the Government, and is an individual who has some additional years of service remaining. We do not oppose the military system of retirement, but we fail to understand why governmental concern should evince greater reluctance to lose the services of the civilian than is shown for the departure of the individual from the military service.

It is the considered opinion of the AFGE that concern over losing persons by retirement is without sound foundation, when there is too little concern over losing thousands of employees each year because the Federal civil service still is unable to offer the incentives which would keep those persons on the Government employment roll.

We do not have in mind the employee who is unsatisfactory, but the one who could stay on if he wished, and who leaves his job for reasons which are valid to him. He usually does not quit at the end of the first week, or even the first year. He stays somewhat longer than that, which means that he has gained training and experience, and much of it is at the expense of the Government.

The average service of 2.1 million employees surveyed in 1958 was 12.8 years. Eight years earlier, data collected on length of service of 1 $\frac{1}{4}$ million Federal employees showed an average service of 8.5 years.

Improvement of pay and other working conditions during the 8-year interval no doubt was an important factor in the improvement.

Why do employees quit? For many reasons. [Reading:]

Some reasons are poor placement, lack of supervision, oversupervision, lack of opportunity, poor or no training, poor working conditions, safety hazards, and others. Quits for these reasons can be prevented.

Who made such a statement? It is not that of a Government employee or of a union officer. It is a quotation from the OIR Newsletter of the Navy Department of several years ago. It is by no means an isolated comment on this problem of personnel turnover, which in our opinion has an important bearing on the need for improving the retirement system.

Then I think we should consider what this turnover costs the Government.

It costs much more than retirement, regardless of age, as compared with provisions already included in the retirement law. We have estimated that it costs the Federal Government an average of \$800 per separated employee who quits either before or after having become fully oriented in his work and for whom a replacement is hired. This is a conservative estimate.

During the last calendar year, 192,711 Federal employees voluntarily quit their Government jobs. This number was 8.35 percent of average employment during the year.

And I think you will agree with them that it is quite a turnover. At the rate of \$800 per employee, this number who quit represents a

loss, or an expense to the Government of approximately \$154 million in 1 year.

The Bureau of the Budget has expressed misgivings about the number of employees who would complete 30 years of service at an "extremely early age" if retirement on full annuity is permitted at age 55. However, not all who are given the opportunity to retire on full annuity at an earlier age will avail themselves of it.

The Civil Service Commission estimated that 35,000 employees during the fiscal year 1960 were eligible to retire optionally with 30 years of service between ages 55 and 60. Of this number, only 2,583 employees, or less than 8 percent of those eligible, actually did retire. This number increased to 3,135 in 1961, and was 2,980 in 1962. Presently, it is estimated to be about 3,000 a year.

It was further estimated that, had provisions paralleling S. 176 been in effect in 1960, the cost of annuities would have been increased about \$220,000 a year. Total payments to employees who had retired between ages 55 and 60 increased from \$8,800,000 in 1960 to \$11,430,000 in 1962. Increasing the \$220,000 the added cost in 1960 of provisions similar to S. 176, in the same proportion as the increase in total annuity payments from 1960 and 1962, the first-year additional cost of \$220,000 becomes \$285,000. This sum is less than two one-thousandths of 1 percent of total Government payroll, or slightly more than twenty-five one-thousandths of 1 percent of total disbursements from the retirement fund in fiscal year 1962.

I noted with interest that when the Chairman of the Civil Service Commission testified before this group, he estimated the cost of S. 176 will eventually increase the cost of the system by \$23 million a year, and we believe that may well be excessive, because he has estimated that the increase in number of retirements will go about 25 percent additional, which will make one out of every three employees who are eligible to retire between the ages of 55 and 60 will actually take advantage. I do not think it is reasonable to believe this.

The average annuity now being paid to an employee is about \$165 a month. We do not believe that adding \$8.25 to the average employee's annuity will cause him to retire at the tremendously increased rate which the Civil Service Commission has estimated.

However, for the sake of argument, let us assume that this will be the ultimate cost of the improvement. It is equal to about fifteen one-hundredths of 1 percent of the current total Government payroll. And I think you will agree with me that it is only a very small cost in comparison to the value of this significant benefit.

The idea of using millions of dollars to increase cost and the idea of using a sum which would increase the deficit of our present retirement system is not new. This is done by the Budget Bureau, by the Civil Service Commission, in every case, where they oppose progressive retirement legislation.

When we reduce those figures to payroll cost, percentage figures, it does not look so large.

I dare say this to you, gentlemen, that it has been my experience that when the Civil Service Commission or the Budget Bureau or other departments of this Government want to make changes in our retirement system, they seem to find ways and means to get the money to do it.

The cost here should not have any bearing upon our decision, the decision should be based, in our opinion, on whether or not this is a

good bill, good legislation, whether it is good for the employees and good for the Government, because we believe that the good that can come from this legislation will far outweigh any additional costs that might be incurred.

If this bill were enacted to permit retirement regardless of age, we have little doubt that the number of retirements will be only a minor portion of the number of eligibles. That number would certainly be lessened if a reasonable effort is made to offer Federal employees a rewarding career.

It is the considered belief of the American Federation of Government Employees that lessened turnover would more than balance added cost of retirement under S. 176, because regardless of whether these people take advantage of it or not, they can look forward to a long-range career of service with the Government.

This will be an added incentive or an added job security to them. And after all, it is our opinion that the average employee in the Federal service is looking for job security, better retirement, other fringe benefits, which are in addition to reasonable pay for his work.

It would be one more way of influencing the valued employee to make the Federal service a career, and to give the Government a minimum of 30 years of service, which in the most recent survey was achieved by only 4.4 percent of Federal employees.

Mr. Chairman, we are very grateful for the opportunity of appearing before you and presenting our views with respect to this particular piece of legislation.

Thank you very much.

Senator McGEE. Thank you, Mr. Griner, for a very fine, very helpful statement.

I would raise one or two points, here, with you. The first is: What would be your judgment as to whether retirement at age 55 might encourage more to retire in order to try to find some sort of limited new career while they still had a lot of good kicks left in their physical system?

Mr. GRINER. Mr. Chairman, that is always a possibility. And within the last 10 or 15 years, it was not only a possibility, it was a probability, because we have had a condition where the job was looking for the man, rather than the man looking for the job.

At age 55, it is not very easy for a man to secure a job any longer. Yes, there will be some who will look forward to securing another job, or going into business for themselves, and of course everyone that does that might hamper some employment opportunities of others.

But keep this in mind: That when this man leaves Federal service, in practically all cases, his position will be filled by someone else, which would balance off the question of employment opportunities.

Senator McGEE. Yes. I would think that factor which was raised earlier, here, in an earlier day of our hearing, is really quite beside the point. You can get a higher level of service for 30 years.

It should not really matter what year retirement takes place, or whether the man or woman retires or does not retire. I would think that the handicap that sometimes is suggested here in terms of comparing the costs is that we can fix a pretty close estimate on what it would cost under the proposed change, here.

But we have no way of really fixing an estimated cost on the improved caliber of service in the civil service, on the new professional pride, the increase in the caliber of personnel, all of that sort of thing.

The savings that you allude to in terms of more work, in terms of better work, that cannot be reduced to dollars and cents because of the differential in the actual job positions that would be available to calculate from.

I think this is perhaps one of the important points with which you conclude that the cost savings are there, but you are at the disadvantage of being unable to tie it up with a little blue ribbon.

Mr. GRINER. Mr. Chairman, we agree with you 100 percent on what you have said. The good to the service as a whole cannot be placed or valued with a dollar mark. At least not at this point. It is intangible.

None of us can reasonably estimate what percentage of the people will take advantage of this opportunity. However, we do believe that it would certainly be a morale builder within the Federal service, and of course, we need that at all times.

Senator McGEE. I have no more questions.

Again I want to thank you for your splendid statement.

Mr. GRINER. Thank you, Mr. Chairman.

Senator McGEE. Before moving to the next witness, I do want to give public recognition to a few visitors here at the dais.

We had some visitors here from Japan on the opening day. The two visitors here this morning are from the State of Wyoming. These young citizens are the winners of a statewide essay contest on how to make democracy work better, and they have been brought back here to watch the wheels turn and perhaps to come up with some ideas, we hope, that will help us make democracy work better.

The two winners are Jean Carol Ahrens, from Torrington, Wyo., and Courtney R. Johnson, from Cheyenne, Wyo.

Mr. GRINER. Mr. Chairman, may I just make this remark, that I do not know of any better way for these young people to find out how democracy works in this country of ours than to sit in on a committee which you chair.

Thank you very much.

Senator McGEE. Thank you.

We feel we are penalized, out in Wyoming, in one way. We are so far away. It is a 3,500 mile round trip, whereas the schools here along the east coast can come in here as a matter of routine and participate in this laboratory of democracy.

And so for us, out in the Rocky Mountains, it is a treat whenever we can find some way to get here in order to indulge this experience.

The next witness this morning is Mr. John O'Connor, legislative director, United Federation of Postal Clerks.

Mr. NAGLE. Mr. Chairman, my name is Paul Nagle. I am administrative vice president of the United Federation of Postal Clerks.

Today's witness is en route. May I ask that our appearance be deferred until his arrival?

Senator McGEE. We shall defer.

Paul, may I bring you greetings from a whole host of people over the State of Wyoming who have had correspondence with you. I just returned from a meeting of the postal clerks in the State, and I will not detail the names now, but they sent their greetings.

Mr. NAGLE. Thank you very much, Mr. Chairman. I am glad the convention was a success, and I thank you most heartily for having honored our convention with your presence.

Senator MCGEE. Mr. Owen, the president of the National Federation of Federal Employees, will now proceed.

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

Mr. OWEN. Mr. President, my name is Vaux Owen. I am president of the National Federation of Federal Employees. Our national office is located at 1737 H Street NW.

Our organization has members in practically all of the departments and agencies of the Federal Government. We have members in practically all pay levels, and in both the classified and the wage board groups.

On behalf of our organization, I want to thank the chairman and the members of the subcommittee for holding prompt hearings on S. 176. I also desire to thank the chairman of the Senate Post Office and Civil Service Committee, Hon. Olin T. Johnston, for introducing S. 176.

We strongly support S. 176 in principle, but urgently recommend that it be amended to provide for optional retirement after 30 years of service, regardless of age.

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

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

This resolution was the master resolution adopted by the delegates at our convention. There were many other resolutions from various parts of the country. In all, there were 29 resolutions in favor of 30-year optional retirement.

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

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

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

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

With the development of automation and the constant desire to keep the number of employees at a minimum, attrition is being relied upon to reduce personnel on duty. Federal employees are sensitive to the pressure of this situation. Many of them could help the attrition process if they should be permitted to retire after they have served the Government for 30 years.

This in turn would make jobs available for younger persons and would open up opportunities for promotion which would be calculated to improve and strengthen the Federal service.

Mr. Chairman, one of the biggest problems, probably the biggest problem, facing our Nation is the problem of unemployment. There is every indication that this problem will become more vexatious as young people leaving our schools and colleges seek employment and the span of life increases.

This problem will not be solved by a 30-year optional retirement, but legislation permitting 30-year optional retirement will contribute to the solution of the problem.

The impact of automation, technological change, changes in mission, closing of installations and the like is going to be felt in all departments and agencies of the Federal Government in varying degrees. The older employees in the departments and agencies particularly are going to be hard hit by these changes which are taking place.

Much of the electronic data processing and automation which was started a few years ago has now reached the point where greater numbers of employees are being displaced. The hardships resulting from these current and impending changes would be somewhat ameliorated for those employees who have had long periods of service, if they could retire after having served 30 years.

If this legislation should be enacted, it is not believed that there will result an excessive additional turnover in the Federal service. Many Federal employees who have had 30 years of service will not exercise the option to retire.

The cost of this legislation should not, therefore, be figured on the basis that every employee who has had 30 years of service will retire. It would be a distinct advantage to the Government for many of them to continue to work. Some would be difficult to replace. Some have experience and skills that are extremely valuable to the various departments and agencies in which they work.

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

We appreciate the interest of the chairman and of the subcommittee in this desirable legislation, and we urge a favorable report on a bill

which will permit optional retirement regardless of age after 30 years of service.

Thank you, Mr. Chairman.

Senator McGEE. Thank you, Mr. Owen, for your excellent statement.

I have no further questions at this time. I will turn to the next witness.

It might be in order, while we are making the change, to pay tribute to those of you who have chosen to testify today. I suspect we are among the very few, here, with serious minds, on the Hill, on this Monday morning, in the wake of a long Memorial Day weekend.

Someone still has to run the store, and I hope we all get gold stars or whatever it takes in the way of the credit side in keeping this establishment going.

The next witness is Mr. Roy North, legislative representative of the National Association of Postmasters of the United States.

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

Mr. NORTH. Mr. Chairman and members of the committee, my name is Roy M. North, formerly postmaster at Washington, D.C., and now legislative representative of the National Association of Postmasters of the United States.

Our association is the only national organization whose membership is entirely composed of active and retired postmasters. Of the 34,797 postmasters of the Nation, we have 33,802, or 97.42 percent, as our members, with associate membership of 1,315 retired postmasters.

Mr. Chairman and members of the committee, our association appreciates the opportunity of appearing before you today in support of S. 176, introduced by the distinguished chairman, Senator Olin D. Johnston, on January 14, 1963, providing for retirement on full annuity at age 55 after 30 years of service.

The president of our association, John P. Snyder, postmaster at Oconomowoc, Wis., and Charles E. Puskar, postmaster at Imperial, Pa., chairman of our national legislative committee, ask that I convey to you their sincere regret in not being able to be with you today by reason of other official business for which commitments were made some time ago. They further ask that I assure you of their intense and full support of this legislation.

Thirty-year optional retirement without regard to age has been the subject of proposed legislation for many years.

On May 15, 1961, we testified in support of S. 188, introduced by Chairman Johnston on January 6, 1961.

Full retirement benefits after 30 years of service, either at 55 years of age or without regard to age, have long been advocated by postal employee organizations. We joined in the testimony in 1956 when Public Law 854, a complete revision of the existing retirement law, was enacted.

That legislation, as finally drafted, provided the present benefit of 30-year full retirement at 60 years of age, and optional retirement at 55 with reductions.

We feel that Federal employees who have given the most productive years of their lives of the Government are deserving of the privilege of optional retirement with full benefits after 30 years of service. By recent resolution of our executive committee, we are committed to the provision of this benefit.

The Civil Service Commission in its retirement report for the fiscal year 1962 states that 426,031 employee annuitants are now on the retirement roll. Of that number, 121,859 were retired under disability provisions, 30,163 were retired at age 55, and 79,380 at age 60, both of the latter with 30 years of service.

The average monthly figure for all annuitants was increased only \$51—from \$138 before Public Law 854 to \$189 since.

Also, after passage of Public Law 854, the 30-year retirees at 55 years of age receive an average monthly annuity of \$286, compared with \$314 for the 60-year retirements.

It is noticeable that with the more favorable benefits of Public Law 854, employees served longer before seeking retirement because of more liberalized credit for time in the service.

However, the differential in cost between the 55- and 60-year retirement is not a large amount.

We conclude, therefore, that the 55-year group could be given the privilege of full retirement after 30 years of service at a nominal cost.

Moreover, the retiring employee is at the top step of his level, whereas the replacement will usually begin in step 1. This saving in salary to the Post Office Department for several years will serve to offset, in part, at least, any additional cost.

The privilege of 30-year full retirement, in our opinion, will be a morale builder which will result in increased productivity on the part of employees. It naturally follows that there would be a reduction in unit cost for the same amount of work performance.

We feel equally sure that such a privilege would not result in wholesale retirements.

It is recognized that the Government needs the capable and mature experience of the 30-year employee. However, if the employee elects to retire, and has given 30 years of dedicated service, his wishes should be respected. An employee who has no desire to continue on his job after 30 years of service, in all probability, would not be fully dedicated or interested in his daily work performance.

Of the more than 400,000 employee annuitants today, nearly one-third, or 121,000, were retired by reason of disability. In our opinion, the privilege of optional retirement at 55 years of age, with full benefits, after 30 years of service, would tend to lessen the number of applicants for disability retirement by Federal employees, including postmasters, who have advanced in the service from lower positions and have at age 55 at least 30 years of service.

We base that opinion on the premise that some of these postmasters and employees, although not totally disabled, but due to their physical condition, are not able to perform their duties in an acceptable manner. The retirement of these individuals would be in the interest of both the employee and the Government.

We strongly urge the enactment of S. 176, providing optional retirement with full benefits at 55 years of age after 30 years of service.

Mr. Chairman and members of the committee, again thanks for your kindness in permitting us to testify today.

Senator McGEE. Thank you very much, Roy.

I have no questions.

The next witness is Mr. David Silvergleid, secretary of the National Postal Union.

STATEMENT OF DAVID SILVERGLEID, SECRETARY, NATIONAL POSTAL UNION

Mr. SILVERGLEID. Mr. Chairman, my name is David Silvergleid. I am secretary-treasurer of the National Postal Union, and I am accompanied by our executive vice president, Walter Maury.

In line with the chairman's suggestion earlier, I have a statement which would have been submitted by our national president, who unfortunately was fogbound in Philadelphia this morning, and I would like to submit that for the record, with the permission of the Chair to make a few comments.

Senator McGEE. It will be accepted for the record.

Mr. SILVERGLEID. Thank you, Mr. Chairman.

(The statement referred to follows:)

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

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

We are grateful, Mr. Chairman and members of this subcommittee, for these hearings on S. 176, a bill to provide civil service employees of the U.S. Government the option of retiring after 30 years of service at age 55, with full retirement benefits. We also appreciate the considerate interest evidenced by Hon. Olin D. Johnston, chairman of the Senate Post Office and Civil Service Committee, in sponsoring this long-sought goal of career civil service employees.

EMPLOYEE INTEREST IN RETIREMENT LIBERALIZATION

We would like to go on record in support of the principles as exemplified in S. 176. During May 1961 we offered testimony in behalf of S. 188, also sponsored by Senator Olin D. Johnston, which provided for optional retirement after 30 years of service regardless of age, and we have been mandated to continue to seek the enactment of such legislation. We wish to submit for your information the retirement resolution adopted by our national convention at Long Beach, Calif., in August 1962.

1. Elimination of the 1 percent deduction per annum between the ages 55-60.
2. All annuities to be tax exempt.
3. Elimination of all deductions assessed for the privilege of selection of widow's and dependents' annuities.
4. Optional retirement after 25 years of service regardless of age, based upon 2½ percent of the highest 1 year of service, multiplied by the number of years of service, not to exceed 100 percent of the salary.
5. Opposition to any attempt to merge with social security.
6. Opposition to any attempt to increase the present 6½ percent deduction of the employees' basic salary.
7. Extend all benefits to former employees now on the retirement rolls.
8. That all salary increases be immediately reflected in retirement benefits to all annuitants.
9. That an all-out effort be made to have the Government appropriate their equal share since the conception of the act in 1920.
10. That the provision of 5 years of civilian service under the survivors benefits under the death claim be changed to read, "Immediately upon becoming a member of the Civil Service retirement fund."

11. The following new provision be added under the section of the retirement law listed "Joint and survivor elections": an employee who has made a joint-and-survivor election to provide an annuity for his wife at his death, may revoke that election if he wishes. His reduced amount then will be raised to the full amount. When a wife or husband for whom the election was made predeceased the employee the election is automatically revoked.

While the proposed amendments cited above represent a long-range program we ultimately hope to attain, we believe they also constitute an emphatic declaration of the abundant interest civil service personnel attaches to retirement legislation. The introduction of more than 100 bills on retirement, during these early months of the 88th Congress, is rather conclusive evidence of this overall interest in the subject.

IMPORTANCE OF RECRUITMENT

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

While we applaud the announced objective of the administration to attract competent and qualified personnel for lifetime Government service, we believe this could be accomplished more effectively if such service be made more desirable than employment in private industry. Retirement after 30 years of service, at the option of the employee, regardless of age, and without reduction in annuity, would constitute a tremendous forward step in the attainment of such an ambitious recruitment crusade.

ACTUARIAL SOLVENCY

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

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

INDUSTRIAL EXPERIENCE

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

"One of the most pronounced trends in pattern plans in the 1956-59 period has been in liberalizing the provisions for early retirement. There has been a

significant increase in the number of plans which permit early retirement at the employee's election. The trend toward liberalizing early retirement provisions is also evident in conventional plans. The percentage of conventional plans which permit early retirement at the employee's election has increased from 31 percent in the 1953-55 study to 51 percent in this study."

MUNICIPAL AND STATE PLANS

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

EARLY RETIREMENT BENEFICIAL TO GOVERNMENT AND EMPLOYEES

There can be no sound reason for opposition to S-176 or our alternative proposal of 30 years optional retirement regardless of age. It is actually mutually beneficial to both the Government and the employee, for it would constitute one additional feature of civil service to attract competent personnel to the Government career service.

There are those who will emphasize the cost item to the Government. In doing so, they will overlook the extensive and wasteful cost items incurred when thousands of employees voluntarily leave Government jobs yearly. There are various reasons why employees leave the Federal service such as: (1) The failure of certain agencies to provide proper and satisfactory opportunities for promotion, (2) lack of proper management—personnel procedures, (3) restrictive and objectionable systems such as guidelines in the postal service.

Whatever the reasons may be, the most feasible means of reducing employee turnover is by improvement of working conditions, a decent standard of living, and an attractive retirement program. Official Government figures indicate the cost per separated employee for whom a replacement is hired is approximately \$1,000. This can run into an aggregate cost to the Government of between \$150 and \$200 million each year.

LOSS OF QUALIFIED EMPLOYEES

Government agencies have frequently stressed early retirement would bring about a loss to the Federal service of many well qualified employees. This is not only based upon a false premise but is an admission that the Federal career service is unable to compete with private industry in retaining well qualified personnel. Actually in 1950 with only 1¼ million Federal employees on the Government rolls, the average length of service was 8.5 years. In 1958, with 2.1 million Federal employees on the Government rolls, the average length of service was 12.8 years. This was undoubtedly brought about by the substantial improvement of pay and working conditions during the intervening 2 years.

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

SUMMARY

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

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

Mr. SILVERGLEID. First of all, I would like to express the appreciation of our National Postal Union and membership to the chairman of the subcommittee, who is doing everything possible to move this issue, and it is a very important issue to all of us.

We also appreciate the interest displayed by Chairman Olin D. Johnston, of the full committee, and Senator Hiram Fong, of Hawaii, in the introduction of that bill.

We endorse the principles of S. 176, but we are on record for optional retirement after 30 years of service, regardless of age, and we would appreciate consideration being given to the bill introduced by Senator Fong, S. 720.

Now, I had the privilege of sitting here at the first day of hearings and listening to the presentation made by the Chairman of the Civil Service Commission and the Assistant Director of the Bureau of the Budget. And I would like to make a few comments on the presentation they made.

Mr. Macy pointed out that there was no particular, as he put it, demonstrable social need for these proposed further liberalizations in the optional retirement provisions.

I am sure the chairman will agree, as we do, that there has been a demonstrable social need for taking care of our senior citizens, but I maintain that in these past several years there has developed a continuing need and a great need to take care of our younger people.

I am glad, Mr. Chairman, we have two such outstanding representatives from the State of Wyoming present, because we unfortunately are confronted, not only in many of our big cities but throughout our entire country, with a problem involving young people, and it is beginning to acquire the title of cause of juvenile delinquency, and I believe it is essential for the Government to find some means of putting these young people to work, and one of the ways it can be done is by providing jobs for them.

Now, the Chairman of the Commission went a step further, and he said that removing the age limitation on optional retirement would result in a loss of many experienced and extremely valuable employees.

I do not want to repeat what has been said here several times at these hearings in the past, but I believe it should be again emphasized that as the Government, through Congress, provides necessary and additional benefits of employment, and more and more of the employees remain on the job longer, I believe the Commission is basically speaking about people in the higher salary brackets. They want these people kept in Government, because private industry has been able to offer them greater inducements in the way of salary and fringe benefits.

Well, if the Government wants to meet that challenge, there is one simple way of doing it.

I am personally very happy to see that the administration has already proposed substantial pay increases for top level personnel. We believe those pay increases should apply to the lower level, as well, and ultimately will. But this is one means of keeping experienced and valuable employees in Government.

Now, the Commission chairman went a step further when he spoke about the cost of this proposal.

For the last 10 to 15 years, Mr. Chairman, we who represent postal or Federal employees have appeared before congressional committees and listened to statements made by chairmen of agencies, Federal agencies, with respect to what they call the actuarial solvency of the retirement fund.

Inevitably, they bring in a rather dismal picture of all possible claims becoming due at a given time, and the fund being short. It used to be \$10 billion. Now they tell us it is up to \$34 billion.

Well, I am very happy to see that the Commission has finally come up with a tentative solution in the form of a proposal they made to both Houses of Congress, a proposal which admits, finally, that the fund's so-called delinquency is due to the fact that the Government never made its proper contributions.

And they propose now that over a period of 25 years the Government step up its contribution, so that we will not be confronted in the future with a projected dismal picture of possible bankruptcy of the retirement fund.

Now, one other statement I would like to make, and this refers to the Director of the Bureau of the Budget, through his assistant, Mr. Staats. He made comparisons between the Civil Service Retirement Fund and the funds in private industry. He pointed out that in most cases retirement takes place between the ages of 62 and 65.

I would like to read this portion of our statement:

Some time ago, a pamphlet entitled "The 1960 Study of Industrial Retirement Plans," published by the Bankers Trust Co. of New York, reviewed retirement plans of some 230 companies, ranging from very large corporations to several with as few as 200 employees.

Their study covered so-called pattern plans, as negotiated by international unions, and conventional plans, with benefits that vary with years of service and rates of compensation. Most pattern plans do not require employee contributions, while approximately 52 percent of the conventional plans are also noncontributory.

The following quotation is very pertinent to the legislation now under consideration, and I quote:

One of the most pronounced transient pattern plans of the 1956-59 period has been in liberalizing the provisions for early retirement. There has been a significant increase in the number of plans which permit early retirement at the employee's election.

The trend toward liberalizing early retirement provisions is also evidenced in conventional plans. The percentage of conventional plans which permit early retirement at the employee's election has increased from 31 percent in the 1953-55 study to 51 percent in this study.

And this was in 1960.

Now, if I may close in this fashion, Mr. Chairman: Previous witnesses have answered a question, and I believe you have been very interested in the answer, as to whether a straight 30-year optional retirement, or one that permitted optional retirement at age 55 at full annuities, would have a substantial effect on the number of retirees, the number of people who have left the Federal Government.

Most of the previous witnesses represent and think in terms of people in higher level and higher salaried positions, and I believe their answers were entirely accurate when they said that the effect would be very slight.

However, I would be less than honest if, in representing the people who are members of our union, postal employees below supervisory levels, I did not point out, at this time, that under present conditions, with various measurement systems in force in the postal service, with reductions, with freezes taking place as a result of appropriations, and so forth, it is entirely possible that many of our older people would take advantage of an option to retire after 30 years of service, if there were no age limitations. And frankly, Mr. Chairman, I would say that they would be entirely justified in doing so.

Now, I sincerely appreciate the opportunity, Mr. Chairman, to present this testimony, and I trust that the committee will give favorable consideration to Senator Fong's bill, S. 720.

Thank you very much.

Senator McGEE. Thank you very much, Mr. Silvergleid.

I have no questions.

Senator McGEE. Mr. John Murphy, President of the National Customs Service Association.

**STATEMENT OF JOHN J. MURPHY, NATIONAL PRESIDENT,
NATIONAL CUSTOMS SERVICE ASSOCIATION**

Mr. MURPHY. Mr. Chairman, for the record, my name is John J. Murphy, and I am the national president of the National Customs Service Association.

There are a number of witnesses to be held after me, and, in deference to them, I will be very brief in my statement.

Senator McGEE. Thank you.

Mr. MURPHY. The National Customs Service Association is an independent employee organization comprised of employees of the Customs Service at all levels. We have members at various ports and places in the mainland United States and in Alaska, Hawaii, Puerto Rico, and the Virgin Islands. In all, we have 44 local branches.

A point that may be of interest, Senator, to our young visitors from your home State, is the fact that the Customs Service is the oldest agency in the Federal Government. It was established as one of the first acts of the Continental Congress in August of 1789, and we are very proud that next year we will be celebrating our 175th anniversary.

Senator McGEE. I think you fully appreciate that we do not have many customs offices in the State of Wyoming.

Mr. MURPHY. I am aware of that, Senator. I am sorry that you do not have more.

Our association represents the majority of the employees of the Customs Service, and we are the only employee organization accorded formal nationwide recognition by both the Treasury Department and the Bureau of Customs, as representatives of the employees of the Customs Service.

Our service is a truly career service, and the turnover is very low. Many of our employees enter the Customs Service at an early age, and seldom leave, except to retire.

The membership of the National Customs Service Association is very interested in S. 176, and we wish to take this opportunity to thank Chairman Olin D. Johnston for sponsoring this legislation which will permit optional retirement on full annuities at age 55, after 30 years of service.

We wish also to support S. 620, similar legislation introduced by Senator Hiram L. Fong.

While we believe that an employee who has faithfully served his Government for 30 years should receive full annuities without regard to age, nevertheless, we support S. 176 as progressive legislation that will be of benefit to both employees and to the Government.

It will benefit the employee by recognizing that 30 years of service is an important segment of his life span, and will permit him to retire, should he choose to do so. Thirty years of service in an agency as active and demanding as the Bureau of Customs takes a lot out of

a person. After 30 years, most employees are considerably less vigorous.

We believe that it will be advantageous to the Government to permit an employee to retire under the provisions of S. 176. He may then be replaced by a younger employee, and at a considerable saving in salary.

We further believe that it is reasonable to permit retirement after 30 years' service, regardless of age, since it is our view that the important point is the amount of service given, rather than the age of the employee.

Actually, there seems almost to be a penalty against the employee who came into the service early in life. Many employees with 30 years of service who would consider retirement are hampered because they entered the service at an early age.

Others who were somewhat older, and entered the service at the same time, may retire without penalty.

Some may say that age 55 is too young for a Federal employee to retire on full annuities. This, of course, is only part of the story. The young employee has given 30 of the best and most productive years of his life to the Federal service, and at age 55 is beginning to be over the hill.

Senator MCGEE. A shattering prospect. But it is a good point.

Mr. MURPHY. Many of our members with 30 years of service would like to retire, if they could do so without an age penalty. Some are in poor or failing health, but are not disabled to the extent necessary to be retired under the disability provisions. It would be of definite advantage to the Government if such employees could have the opportunity to retire without diminution of their annuities. Thirty years of service should, in our view, carry with it some equitable treatment.

We submit that 30 long years of dedicated service places a moral obligation on the Government to reward the employee by at least giving him the option of retiring at age 55.

In conclusion, the National Customs Service Association believes that the passage of S. 176 would do three desirable things:

1. Create employment and promotional opportunities for younger and more vigorous personnel.
2. Reward long service.
3. Would save the Government the difference in salaries.

Mr. Chairman, on behalf of our association, I would thank you for your patience and for the opportunity to appear before you this morning.

Senator MCGEE. Thank you very much.

I have no questions.

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

Mr. Manbeck, you may proceed.

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

Mr. MANBECK. My name is Jesse B. Manbeck, of 1601 18th Street NW., Washington, D.C. I am now serving my sixth term as president of America's oldest labor union in continuous existence which was

organized in 1815—Columbia Typographical Union No. 101 of the International Typographical Union.

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

I am testifying here today in support of S. 176 which would enable Federal workers to retire at age 55 after 30 years' service.

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

However, the stipulation of age 55 is also reasonable coupled as it is with at least 30 years' service to qualify for full annuity.

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

Retirement at 55 in these hectic days, after 30 years service, opens up available jobs for our ever-growing younger generation.

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

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

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

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

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

Senator McGEE. Thank you, Mr. Manbeck.

Mr. Nagle, I understand that Mr. O'Connor has arrived.

Mr. NAGLE. Yes, he has, sir.

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

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

At the outset I desire to express our thanks to the chairman and the members of the committee for scheduling hearings on S. 176, and also wish to express our appreciation to Senator Olin D. Johnston for his introduction of this important legislation.

One of the major objectives of our organization, as adopted at our last national convention in Portland, Oreg., is to provide for the liberalization of retirement opportunities. We believe that S. 176 providing, as it does, that an employee may retire after 30 years of service at age 55, and without a penalty is important progress as far as retirement is concerned. Actually, our organization believes that an employee should have the opportunity of retiring after 30 years of service regardless of age, and without a reduction penalty.

We recognize the fact that there are claims made that the cost of legislation of this type is prohibitive. We, however, believe that experience with optional retirement indicates that a small minority of employees elect to retire at an early age unless there is some good reason for such action, as illness. An employee can be quite ill and have a reasonable desire to retire, but still he is not ill enough to qualify for retirement under the disability clause.

This is a valid assumption, inasmuch as reports on the civil service retirement system indicate that about one-third of those retiring under the various retirement provisions do retire under the disability provisions. We believe that this bill is real progress, inasmuch as it eliminates any penalty for employees that do retire prior to age 60. At the present time there is a penalty, a small one, that is true, but still a serious penalty, inasmuch as it does deprive the employee who retires of a portion of his income which is sorely needed at such time.

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

Thus, retirement at age 55 with 30 years of service would not be a serious drain on the retirement system. In fact, we believe that, actually, there might be a gain for the Federal Government, inasmuch as the employee who is retiring is in the higher salary bracket, and the salary of the employee replacing him would be in the lower bracket. The difference between what would be paid the newer employee and the retirement annuity that would be paid to the retiree would about even out. As a consequence, there would be little, if any, cost to the Government.

Again, may we say that we believe that only employees who are ill would, in most instances, take advantage of such retirement. Ordinarily, a man age 55 does not have his family completely raised, and so would have serious family responsibilities, such as children in school or college, and more than likely his home will be only partly paid for. This, we feel, would cause only employees to retire who actually find it necessary to do so. We do not believe that many would leave the Federal or postal service at age 55, because it would be virtually impossible for an employee of that age to secure employment in outside industry. But if he did, his salary for the type of employment he could get and his retirement income would be, in most cases, unequal to the salary received in the Federal Government.

There has been a general lowering of the retirement age in outside industry. Even the Congress has felt an inclination in that direction, inasmuch as in recent years they have reduced the age at which women may retire under social security to 62, and more recently have given men the opportunity for retiring at the age of 62. We

believe that this is due to the fact that the Congress realizes that there are many people who are unable to continue on their jobs but are still not ill enough to be totally disabled so that they can take advantage of the present disability provisions of the retirement law.

A human being, or the average worker, desires to continue on the job as long as he possibly can, if his condition is such that he is able to do so.

Members of the military forces have retirement after 30 years, and in some instances after 20 years. In addition, the attention of the committee is drawn to the fact that it is quite common throughout the country for members of the police and fire departments to retire with 25 to 30 years of service, regardless of age.

Reports indicate that there is considerable unemployment throughout the country, and retirement as proposed in this legislation could help to provide jobs for those unemployed.

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

We are hopeful that this legislation will be reported favorably and enacted into law.

Senator McGEE. Thank you, Mr. O'Connor for your fine statement.

Mr. Dan Jaspán, legislative representative of the National Association of Postal Supervisors.

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

Mr. JASPAN. Mr. Chairman, my name is Dan Jaspán, for the record.

I will just outline some parts of the statement, Mr. Chairman.

Senator McGEE. Your full statement will appear in the record.

(The statement referred to follows:)

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

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

Our members are grateful to Senator Johnston for introducing S. 176, and to Senator Fong for introducing S. 620, bills which are very important to Federal employees. Similar bills have been introduced in each Congress for about 40 years. We appeared to be on the verge of success during the 87th Congress, thanks to the efforts of Senator Johnston and members of the Senate Committee on Post Office and Civil Service, but, once again, success eluded our grasp.

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

We represent a group that is particularly interested in this type of legislation. Most of our members have 25 or more years of service. A large number have reached the point where they can retire immediately if either S. 176 or S. 620 is enacted into law.

Some of the members of this committee will recall that, when hearings were held just 2 years ago, we testified in favor of a bill, similar to S. 620, which

did not have any age floor, but merely required 30 years of service. It was felt by the chairman and members of the committee that the Congress would not pass a bill without an age floor and, feeling that a law permitting optional retirement after 30 years of service with a floor of age 55 was better than no legislation at all, we supported the bill reported out by the committee. However, the bill died on the Senate calendar. We still feel that S. 176 is what our members want, but, if this committee still feels that S. 176 has a better chance of enactment, we will support that bill. We hope that you first give S. 620 serious consideration.

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

We feel that 30 years of faithful service in any organization should entitle the employee to certain benefits. One of these benefits is optional retirement, with no reduction in annuity. Postal work entails physical and mental strain that cannot be compared with most employment. There is constant eyestrain. The dust in most post offices adds to the hazard of allergies and lung contamination. Even the hours of work are completely different from the hours of employment in practically every industry. Outside of letter carriers, who must arise very early in the morning to report to work, practically all employees work night tours of duty for many years. These conditions are not conducive to good health. This is reflected in the large number of disability retirements.

We do not expect a rush of employees to retire, even if the 88th Congress enacts a law permitting optional retirement after 30 years. We feel that the Civil Service Commission and the Bureau of the Budget have overestimated the cost of carrying out the provisions of the bill. They have never been prone to giving low estimates of costs, and this is probably no exception. They probably base their figures on a much higher retirement rate than will follow enactment. Even the enactment of S. 620 is not likely to make too much of a difference in the number retiring.

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

More than 4,000 employees did not retire until they reached the mandatory retirement age of 70, and only 6,774 retired at age 60, with 30 years' service, with no reduction in annuity. We firmly believe that the number retiring at age 55 with 30 years' service will not increase measurably.

"If the above is true," you may well ask, "why have the various employee organizations been trying since the 1920's to have 30-year optional retirement?" The answer is that there are some who will want to retire if they can do so without penalty. They will generally be (a) those who do not qualify for disability retirement, but are not enjoying good health; (b) those who are not able to keep up with the changing times with increased automation, mechanization, and technological changes; (c) those who feel that the pressures under which they work are increasing too much; and (d) a relatively small group who will find other employment. The reason we say that this group will be relatively small is that they will generally be at least in their fifties and the job discrimination against the people over 40 is a matter of record. The 30-year employees would probably be hardest hit by items (a) and (b) above.

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

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

We understand that the average age employees enter the Federal service is the late twenties. These people would be more than age 55 upon the completion of thirty years. It is possible that the average age of entry could be decreased by the promise of an earlier target date for retirement.

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

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

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

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

Mr. JASPAN. First of all, we want to express our appreciation to you for being here after this long weekend, especially when I know the conflict between your staying here and going to Wyoming.

I was at a State convention in Casper a few years ago, and I know what you are missing. But we also appreciate the production of the bill for 30-year optional retirement.

We naturally are more in favor of the Fong bill, without any age floor, because we are mandated by a number of conventions to seek that kind of legislation.

We also would like to point out that in any bill as reported out by the committee, we would like to have it expressly stated that the option shall be at the option of the employee only.

We are very much afraid that if it is not expressly stated, there may be some other interpretation on whatever the committee reports out, and what we hope the Congress passes.

Senator MCGEE. But you would leave no option at all at the management end of the line?

Mr. JASPAN. That is right. We are very much interested in having the employee decide.

We represent a group that is particularly interested in this type of legislation, because most of our members have 25 years or more of service before they become supervisors, and we go into an older age group that would be affected by this type of legislation.

We have been testifying in favor of 30-year optional retirement bills for a good many years. I believe that the first one was introduced in the early 1920's, and we are hoping that the 88th Congress sets a record by passing the bill that we have been trying to have passed.

One of the things I would like to point out is that the postal employees in particular have some physical and mental strain that cannot be compared with most employment. There is constant eyestrain. There is dust in the offices that contributes to the hazard of the employee, by inducing allergies and long contaminations.

And that is also true of the supervisor, because the supervisor came up from the ranks. He did not come from the outside.

Senator MCGEE. Never did I appreciate that more than when I rode a railway postal car the other day for a couple of hundred miles, and watched them working under pressure and trying to get the mail distributed before they got to the next stop. Paul Nagle and I have covered that ground very carefully.

Mr. JASPAN. There is constant pressure. There are train deadlines to meet. And moving the mail is a prime consideration, of course.

Another thing: Most postal employees have tours of duty that are not conducive to health. Although the letter carriers work very early in the morning, which is almost like a late midnight, the others start in nightwork and work at night for many years, and must change their whole way of living.

Another thing I would point out, Mr. Chairman. We hear about the insolvency of the fund. In fiscal 1962 the employees contributed more than \$10 billion to the fund, and the disbursements were \$900 million. That is in a 4-year period.

Senator MCGEE. In other words, the employees have more than paid their way.

Mr. JASPAN. More than paid their way up to the present time.

Senator MCGEE. The problem is one not of juvenile delinquency, but budgetary delinquency.

Mr. JASPAN. We agree with that very thoroughly. For the first years, until 1929, the Government did not contribute 1 cent, and then for many years they made token payments to the fund, so if the Government had made its contributions as should have been done, we would not be faced with this idea that the fund is bankrupt. That is the reason behind this.

We do feel that we should be entitled to some additional credit for the money that we do put into the fund.

One of the things that I would like to point out is that we do not expect a rush of employees to retire, even if the 88th Congress does pass this bill. We are sure that the Bureau of the Budget and the Civil Service Commission, as usual, have overestimated the cost, as well as the number of employees. They have been doing that consistently.

One of the things we can point out is that a man with 30 years of service if he retired, would receive only 56 $\frac{1}{4}$ percent of his high 5 years, and he is not able to live on such a cut in pay. So he would have to work longer to build up the amount of money he has in the fund.

That is borne out by the fact that of the ones who retired in the fiscal year ending June 15, 1962, fewer than 50,000, out of those who retired, retired at age 55. And then the penalty was only 5 percent, as compared with the former penalty of 15 percent for those retiring at age 55.

More than 4,000 of the employees did not retire until they reached the mandatory retirement age of 70, and only 6,774 retired at age 60 with 30 years of service.

So it is pretty obvious that there will not be a general rush for 30-year optional retirement, but there will be some groups who will be looking for retirement.

I believe that there are four main groups that would cover that. One of them would be the employees who are not sick enough to qualify for disability retirement, but they are not in the best of health, and they would go out.

There are some who are not able to keep up with increased automation, mechanization, and technological changes.

There is another group who feel that they can no longer take the pressure under which they have to work.

And a relatively small group, we believe, that would seek other employment.

The reason we say a relatively small group is that most of these people would be in their fifties, when it is not easy to get a job at the age of 40, let alone that of 50. There are some who are getting other positions now on account of the increase in availability of positions, but of course that is not always true.

We also believe that the morale would be increased tremendously, because the people would have something to look forward to when they do come into the service, so that they can go at the end of 30 years, if they are able to, at that time.

Mr. Chairman, we appreciate the opportunity of appearing before you and presenting our views, and we certainly hope that something will happen in the 88th Congress to make us all happy.

Senator McGEE. Thank you very much, Mr. Jaspán. And I have the feeling that something will happen.

The next witness is Mr. Glenn R. Simcox, president of the National Association of Retired Employees.

STATEMENT OF GLENN R. SIMCOX, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES

Mr. SIMCOX. Mr. Chairman and members of the committee, my name is Glenn R. Simcox, and I am president of the National Association of Retired Civil Employees, an organization with over 105,000 members—and I might emphasize 105,000 paid up members—who are either retired Federal employees or the survivors or beneficiaries of former Federal employees. Our association has 865 chapters scattered throughout the United States, and has 35 State federations.

I am accompanied by Mr. George L. Nichols, vice president in charge of legislation.

We are happy to join the many other witnesses who have appeared before you by endorsing the principles of S. 176 by Hon. Olin D. Johnston, chairman of the Senate Post Office and Civil Service Committee, which would permit career employees who have completed 30 years of service to retire any time after reaching 55 years of age without penalty in annuities received.

At the same time, we want to point out an element of discrimination in the bill against career employees who have retired and will retire before it is approved. There are now thousands of former employees who retired between the age of 55 and 60, with over 30 years of service, who are suffering penalties from 5 to 15 percent in their annuities, and

who would continue to be penalized if S. 176 is enacted in its present form.

We are reminded of many other examples of discrimination in the retirement system as it operates today. Retired former employees are now suffering reductions in their annuities ranging from 10 to 25 percent in order to provide survivor annuities for their spouses, which can be provided by employees retiring currently for a reduction of only 2½ percent.

For these reductions, the survivor annuity is limited to 50 percent of the original annuity for persons who retired prior to October 11, 1962, while the survivor annuity for those retired since that date can be as much as 55 percent of the original annuity.

A floor for disability annuities of 40 percent of the average salary or the amount that would be earned by service to age 60, whichever is lower, is enjoyed by persons retired after October 1, 1956, but denied to those who retired prior to that date.

A more liberal recognition of extra-long service approved 3 years ago for persons retired after July 12, 1960, has not been extended to those who retired earlier.

We hope the Congress will authorize this committee to make a thorough study of all retirement benefits available to employees retiring currently, and compare them with related benefits now received by persons retired at various periods in the past, particularly concerning annuities, survivorship provisions, and costs, disability provisions, and health benefits, with a view to developing legislation to correct disparities that are found to exist.

We believe that if the Congress establishes the true facts concerning the variations in benefits received for identical or comparable service, we can expect prompt enactment of corrective legislation.

In the meantime, we respectfully urge the Congress to abstain from creating further disparities. A very good place to start would be an amendment to S. 176 to extend its benefits currently to persons who retired in the past with at least 30 years of service after reaching the age of 55.

In justice to our members, therefore, our endorsement of S. 176 is conditioned upon the addition of an amendment to extend its benefits currently to those previously retired with 30 years of service after reaching 55 years of age.

In effect, Mr. Chairman, we are endorsing the bill.

Senator MCGEE. But you would make it retroactive?

Mr. SIMCOX. We would like to make it retroactive to include those former retirees who might come within such provisions.

Senator MCGEE. Provided they retired after age 55?

Mr. SIMCOX. Surely. That is right.

Senator MCGEE. Thank you very much, Mr. Simcox.

Mr. SIMCOX. Thank you.

Senator MCGEE. Mr. George Warfel, president of the National Association of Special Delivery Messengers.

Mr. McCART. Mr. Chairman, my name is John A. McCart. I am the operations director of the Government Employees Council.

Mr. Warfel found it necessary to leave, and asked if I would arrange to have his statement inserted in the record.

Senator MCGEE. Very good. His statement will appear in the record.

(The statement referred to follows:)

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

Mr. Chairman and members of the committee, for the record, and purpose of identification, my name is George L. Warfel, president of the National Association of Special Delivery Messengers of the U.S. Postal Service, which association holds national exclusive recognition for representing special delivery messengers under the President's Executive Order No. 10988.

I am glad to appear before you today in support of Senator Johnston's bill, S. 176, which seeks to amend the Civil Service Retirement Act to permit employees to retire at age 55 after 30 years service, without a reduction in annuity.

The National Association of Special Delivery Messengers in national conventions over the past several years, has adopted resolutions favoring such legislation.

Despite the fact that these resolutions were adopted by unanimous vote of our delegates, it has been noted that (except for disability cases) a great percentage of special delivery messengers do not retire upon reaching 60 years of age, and having 30 years of service to their credit. Therefore, it would appear that most employees would probably continue to serve until such time as retirement becomes mandatory and that, therefore, the cost of this legislation might be much less than has been estimated.

I trust that the committee will take favorable action on this bill.
Thank you for your attention.

Senator McGEE. Now you may proceed, Mr. McCart.

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

Mr. McCART. Mr. Chairman, with your permission, I would like to insert my statement in the record and to proceed to make a few extemporaneous comments.

Senator McGEE. Very well. Your statement will appear at this point.

(The statement referred to follows:)

STATEMENT OF THE GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, the 25 AFL-CIO unions affiliated with our council appreciate deeply your action in scheduling an early hearing on S. 176. These organizations represent a wide cross section of opinion among classified, postal, and wage board employees of the Federal Government.

We wish also to extend our sincere gratitude to Senator Olin D. Johnston, chairman of the full committee, and author of the measure which is the subject of the hearing.

The council has for many years supported proposals to permit Federal workers to retire upon the completion of 30 years of service, without any age requirement. This objective has a high priority also on the programs of many of our member organizations.

Under the present Civil Service Retirement Act, the normal retirement age is 60 with 30 years of service. With this combination of service and age, the individual is entitled to full benefits. However, he may retire also between 55 and 60 after 30 years service. In this case, his full annuity is reduced by one-twelfth of 1 percent for each month he is below 60 when he retires.

In view of these provisions, why should Federal Government workers be permitted to retire upon completion of 30 years of civil service work and receive full retirement benefits, regardless of age?

Certainly, we can all agree that 30 years devoted to a single employer represents a normal working career. While there are exceptions with individuals spending 40 or 50 years with a particular firm, they are just that—exceptions. When an employee spends his normal working lifetime in Federal service, it is

our considered judgment that he should be able to cease his labors with a prospect of reasonable financial security.

As the pace of production accelerates in the various Federal agencies, increasing mental and physical effort is experienced by employees. Particularly where individuals are assigned to jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. This is true of many positions in the postal and wage board categories. Even though an individual in this class may not experience physical impairments sufficient to warrant disability retirement, he may still desire to cease work before the normal retirement age in order to preserve his health.

Under these conditions, it will benefit both the employee and the Government as the employer to permit him to retire with full benefits at an earlier age so that younger individuals may enter Government service.

As we are all aware, unemployment is a persistent, serious, and difficult problem in our country today. Even though some improvement has occurred in recent months, the rate of unemployed workers continues above 5 percent. Enactment of the proposal under consideration today will ease this national burden by making employment opportunities available to replace those Federal workers who retire.

In addition, approval of legislation of this kind will assist agencies to perform their missions more effectively by insuring a nucleus of skilled, younger workers, who can be trained to accept the responsibilities performed by their mature fellow employees.

The concept of retirement with full benefits for Federal employees with 30 years of service below age 60 is not new. During the disastrous economic depression our country experienced in the 1930's, Congress approved legislation allowing this type of retirement for Federal workers. Admittedly, the economic situation today differs substantially from the period 30 years ago. But the rationale of the earlier action applies with equal force in 1963. The object then was to provide an incentive for Federal workers with long years of service to retire so that their jobs would be available to younger men and women with families, who were in dire financial straits.

The trend generally has been toward earlier retirement. Several years ago, Congress approved full social security benefits for women at age 62, and an opportunity for men to obtain reduced benefits at the same age. This action marked a distinct departure from the 65-year age limit included in the Social Security Act since 1936.

Retirement is one of the most important aspects of the Federal personnel program. Turnover among employees is a continuing problem. An average of 170,000 Federal workers quit their jobs each year. Acceptance of the principle embodied in S. 176 would provide an incentive for individuals to continue their careers in the Federal Government. The consequent saving in turnover costs is apparent.

The number of senior citizens in our population increases each year. Boys and girls are spending more years in school. To satisfy the ever-increasing demand for jobs for those who complete their education, it is essential that job opportunities be made available at a much faster pace than heretofore. The number of working years will have to be reduced as one means of providing additional jobs. Enactment of legislation similar to S. 176 will help alleviate the problem so far as the Federal service is concerned, and will stand as an example of enlightened personnel management for others to follow.

As indicated above, an important feature of the council's legislative program is amendment of the present Civil Service Retirement Act to permit retirement on full annuity after 30 years' service, regardless of age. This is a desirable and justified improvement in the present retirement statute. Should Congress determine, however, that 30-year retirement at age 55 is a more practical step, a distinct improvement over the existing benefits will have been achieved.

We urge early, favorable consideration of this important retirement improvement by Congress.

On behalf of all of the affiliates of the Government Employees' Council, I desire to express their gratitude for the opportunity to comment on this important bill.

Mr. McCART. The organization I represent, the Government Employees' Council, consists of 25 unions, representing Federal Government workers in the classified, postal and wage board services.

At the outset, Mr. Chairman, I would like to express the appreciation of our council to you for arranging these hearings, and to the author of S. 176, the chairman of the full committee, and to Senator Fong, for his introduction of a similar bill.

We feel strongly, Mr. Chairman, that S. 176 represents a socially desirable advance in the civil service retirement system.

As the members of this subcommittee are well aware, the unemployment rate in this country has been a persistent, nagging problem. While it has reduced slightly in the past several months, to approximately 5.7 percent of the total labor force, it is nevertheless a difficult problem.

We feel that the enactment of S. 176, or similar legislation, will make at least a small contribution to alleviating this very pressing problem.

Now, on the other side, Mr. Chairman, from the standpoint of social desirability, we are all well aware that the number of senior citizens in our country is growing. We are equally aware that boys and girls and young men and women are spending more time in school today. Their educational span has been extended.

The ultimate result must be that the working careers of people must be reduced in order to accommodate the young people moving into the labor force, on the one hand, and the number of older workers and older retirees.

For these two reasons alone, Mr. Chairman, we feel that S. 176 could be enacted with much validity.

I might add at this point that our council and many of the unions affiliated with it have consistently supported legislation to provide for full retirement benefits after 30 years of service, regardless of age.

If, however, in the wisdom of the committee and the Congress, it is felt more feasible to enact legislation such as S. 176, we think that it will mark a very distinct improvement over the present system.

And finally, Mr. Chairman, I would like to emphasize the significance of this legislation to the employees involved. As you know, Federal workers can now retire with full benefits after 30 years of service at 60 years of age, and can retire at age 55, with 30 years of service, on a reduced annuity.

This annuity is reduced by 1 percent for each year the individual is below 60 at the time he retires, so that the net maximum effect of S. 176 will be to provide an additional 5-percent increase in the annuities of the people who would take advantage of it.

And from that standpoint, Mr. Chairman, we do not feel that S. 176 represents a radical departure, or a radical improvement, in the civil service retirement program. It represents a needed and a justified improvement. But certainly the cost is not going to be as has been estimated before the committee here before.

With these observations, Mr. Chairman, we urge that the subcommittee take early favorable action on S. 176.

Senator McGEE. Thank you very much, Mr. McCart.

This concludes the live testimony of this hearing. We do have a number of statements that have been submitted for the record. They will be placed in an appropriate place in the record. Perhaps an appendix would be suitable. I will leave that to Mr. Gullidge to decide.

I think it would be in order if we would keep the record of the hearing open for 1 week in the event that those who may already have testified would like to amend their testimony for any reason, or those who were unable to testify may supply statements for the record.

It is important that the committee have the fullest possible testimony in the measurement of the refinement of this proposed legislation.

Thank you all for participating again this morning.

And this hearing is now concluded.

(Whereupon, at 12:02 p.m., the hearing was concluded.)

I think it would be better if we would leave the record of the
land open for a week in the event that those who have already
been notified would like to amend their entries for any reason
before we were made to really make any statement for the
record.

It is important that the committee have the right to file an
objection in the event of the removal of the proposed
land.

That you all participate in this meeting.

and this is not a matter of

(We hope you will be able to attend.)

APPENDIX

(At the direction of Mr. Gullledge, staff director and counsel, the following statements and communications were ordered printed:)

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

Mr. Chairman and members of the subcommittee, I am John G. Brady, chairman of legislative committee of the National Association of Internal Revenue Employees, accompanied by George Bursach, executive secretary-treasurer. Our association of over 27,000 members strongly urges and recommends the enactment of this bill S. 176 to grant civil service employees full annuity at age 55 after 30 years of service.

We believe that many of our employees with 30 or more years of service would avail themselves of the opportunity of retiring at an age earlier than now possible, and that 30 years of service is universally accepted as a period of full and complete service.

The Congress of the United States recognizes retirement on age and length of service.

NAIRE urges the enactment of this legislation for the following far-reaching benefits to the Federal service.

1. It will attract the young men and women to embark upon a career with the Federal service, knowing they will be assured of promotional opportunities during their years of service.

2. It will enable older employees, who have given their years of loyal hard work, to retire, if they so desire, with a reasonable economic security.

3. It will be in keeping with private industry, where early retirement is available for older employees who, for health reasons, cannot carry on the strenuous pressure of their present position.

4. If this bill is passed, it would create employment and promotional opportunities for younger and more vigorous personnel, and reward long service.

5. We think that, with the progress we are making in industry and government through automation, improved methods of production, and the scientific progress through medicine, the retirement period has become more and more important.

6. Our Government should look to the future with a view toward the ever-increasing problem of maximum employment, in light of the steady increase in this country's population. This bill would create many opportunities to employ individuals in job openings that do not exist under the current retirement law.

CONCLUSION

Mr. Chairman, with the needs of the Nation as they are, with relation to the employment situation, the passage of this legislation would not only be timely, but would be extremely wise. Our association believes that an Internal Revenue employee, who has worked 30 years and has reached the age of 55, should be entitled to the option of retiring at full annuity.

We do not expect this legislation to cause abnormal turnover in the Federal service, but it would serve as a morale stimulant to those already in the service, as well as those contemplating a career in the Government service.

We believe it would be both wise and just to pass this legislation, and we respectfully request this committee to give it early and favorable consideration.

I thank you for your interest and I appreciate the opportunity of endorsing this important legislation.

STATEMENT OF DILLARD B. LASSETER, EXECUTIVE OFFICER, ORGANIZATION OF PROFESSIONAL EMPLOYEES OF THE U.S. DEPARTMENT OF AGRICULTURE

My name is Dillard B. Lasseter. I represent the Organization of Professional Employees of the U.S. Department of Agriculture (OPEDA). We have some 7,000 members who are located in the 50 States, various territories and possessions, and in a number of foreign countries. They do scientific, professional, technical, and administrative work and are all in the classified service. This organization wishes to endorse strongly the objectives of S. 176, the so-called 30-year retirement bill.

The precise effect of this bill, if enacted, upon the ages at which employees would retire is a matter of speculation. We venture the opinion, however, that it would have very little effect upon the average age at which employees retire and very little effect upon the average length of service of those who retire. Certain facts relating to age and service of retirees provide some evidence in support of this opinion. For example, of 50,524 who retired during fiscal year 1962, only 2,980 exercised their option to retire after 30 years' service with reduced annuity below age 60; on the other hand, only 6,780 exercised their option to retire with 30 years' service after age 60 without reduction in annuity; while 4,075 were forced to retire at age 70 because of the mandatory provision of the retirement act. Moreover, the average length of service of retirees has increased about 1 year since 1956 when the law was liberalized to permit optional retirement after 30 years' service with only moderate reduction in annuity between the ages of 55 and 60 and no reduction after age 60. Also, as is well known the average life span has increased materially during the past several decades. We believe this will be a factor in causing the great majority of employees to elect not to retire at 30 years' service and age 55, even though the privilege were available to them without limitation or penalty.

We believe the overall concept of retirement has changed, and will change even more, from the basic tenets which have been a fundamental part of the civil service retirement law. Today there is less emphasis on retaining employees for extended periods of service. In fact, many industries have mandatory retirement requirements at age 65 or perhaps younger. We know there will be an increasing trend in the number of persons entering the labor force each year. Our economy and our rate of economic growth will be tested severely in providing gainful employment for these new employees. Therefore, we believe those who wish to retire after 30 years' service and age 55 should be permitted to do so without penalty; this will help to create new opportunity for younger employees desiring to enter the civil service.

The days when a clerk was thought to be typical of the civil service are gone. Today the civil service is more aptly characterized by science, research and development, and the skilled administration of laws, programs, and policies which are of tremendous impact to the public interest on both the national and international scene. The functions of many of the Departments of Government and the daily decisions associated with their operation have a public impact which transcends the largest industries and corporations in this country. This means that the scientist, the specialist, the skilled administrator entering the civil service must have higher levels of training than was characteristic two decades ago. Such persons may average 25-28 years of age when they enter the service and will be in their mid fifties when they reach 30 years of service. There is much in favor of a philosophy that after 30 years of meeting the rigorous requirements of today's Government service, a person wishing to retire should be permitted to do so without penalty.

While it is anticipated that S. 176, if enacted, would have minor effect upon the average age or average length of service of those who retire, the option of retiring under the provisions of the bill would be of great importance in individual cases in addition to those just mentioned. This would be especially true in situations where reorganization, changes in leadership, policies or methods, abolition of programs, or other unexpected adjustments may force drastic changes upon employees with long years of service. Under such circumstances they might exercise their option to retire. The availability of this flexibility to such employees would help solve potentially vexing administrative problems.

A less tangible, but probably very real, benefit of the proposed law would be its effect upon general morale. Everyone, from the newcomer to the veteran in service, would have a heightened sense of security and freedom in the knowledge that retirement legislation is void of rigidities and penalties which, in effect, would force him to continue employment longer than he would prefer,

and perhaps after his work productivity or health had declined. This would make the Federal service a more attractive place to enter and a more attractive place to remain for a full career.

The OPEDA, therefore, endorses S. 176 and requests that its statement be included in the official hearing record of the committee.

STATEMENT OF EVERETT G. GIBSON, PRESIDENT, NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES, AFL-CIO

Mr. Chairman and members of the subcommittee, my name is Everett G. Gibson. I am the president of the National Federation of Post Office Motor Vehicle Employees, affiliated with the AFL-CIO and the Government Employees Council of the AFL-CIO, with offices at 412 5th Street, NW., Washington, D.C.

I want to thank you, Mr. Chairman, and the members of your committee, for permitting me to appear before you today and fully support S. 176, introduced by Senator Olin D. Johnston of South Carolina, the chairman of the full committee. We would like, also, to express our appreciation to Senator Hiram L. Fong, of Hawaii, for introducing S. 620, similar to S. 176.

The delegates attending our national convention, for many years, have mandated our organization to seek legislation that would provide a 30-year optional retirement for our members, with full retirement benefits and without a reduced annuity.

It has been our experience that only a few of our members retire at age 55, with a reduced annuity, and that the removal of the reduced annuity at age 55 would not increase that number to any great degree. It is also our opinion, that the enactment of S. 176 would be an incentive, not only to our present employees, but to those who are seeking a career appointment into our service.

On behalf of the employees whom I have the honor of representing, I support S. 176 and sincerely hope that this committee will report favorably this important legislation. I thank you.

STATEMENT OF PEGGY HODGSON, SECRETARY, PATENT OFFICE SOCIETY

The Patent Office Society, which comprises 973 professional employees of the Patent Office, desires to be on record in support of the retirement provisions of S. 176 for the following reasons.

The Patent Office employs approximately 1,050 engineers and scientists, whose training as examiners is accomplished only at great expense to the Government, estimated in excess of \$7,000 per employee. A large percentage of this Government investment is lost as the Patent Office has been long plagued with an extremely high turnover in its professional personnel. As in the Armed Forces where voluntary retirement is permitted at a reasonable age it is believed that the attractiveness of classified Government service would be materially enhanced by acceptance of the 30-year retirement provisions of S. 176 and would convert many "early resignations" into career employees. An early retirement plan without penalty would appeal to the younger trained examiner with several years of service.

Furthermore, a reason frequently given by examiners upon resignation is "frustration" due to the fact that many of the superior positions are occupied by senior personnel. It is believed also that the retirement provisions of S. 176 will do much to alleviate this condition, thus permitting the senior employees to retire advantageously and simultaneously providing advancement potentials for qualified examiners.

The Patent Office Society is appreciative of the opportunity to express its views in support of the retirement provisions of S. 176.

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

Mr. Chairman and members of the subcommittee, my name is Harold McAvoy, national president of the National Association of Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders. Our office is located at 900 F Street NW., room 916. We are members of the AFL-CIO and the Government Employees Council.

At the start, Mr. Chairman, I would like to go on record as fully endorsing S. 176, the bill introduced by the chairman of the Senate Post Office Committee, and S. 620, introduced by Senator Fong of Hawaii.

Both of these bills are giant steps in the right direction. I have sat and listened to the testimony presented by the Civil Service Commission and the Bureau of the Budget. To say the least, I was amazed by the opposition to this worthy piece of legislation. If the bills before the committee are enacted into law, the 30-year optional at age 55 will open jobs for our now rising unemployment. The vast difference in fringe benefits for the senior employee compared to the new employee and employees who are not totally disabled, who must continue to work—although in poor health—all the above are strong reasons why this subcommittee should give speedy and favorable consideration to these bills before the committee.

Thank you gentlemen for the privilege of appearing before you and being allowed to give you the sound thinking of the people I represent.

STATEMENT OF ASHBY G. SMITH, PRESIDENT, NATIONAL ALLIANCE OF POSTAL EMPLOYEES

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

Mr. Chairman I appreciate the opportunity to appear before you in support of S. 176 which provides for optional retirement after 30 years' service at age 55. Simultaneously, Mr. Chairman, I think recognition is due you for the perseverance you have shown in keeping alive the principle of optional retirement after 30 years' service.

We of the National Alliance of Postal Employees have long felt that this type of alternative should be made available to postal employees. Our reasons for clinging to this view are the rigorous nature of certain aspects of the work and the swiftly paced routine which attaches to the lighter functions. Referring to these lighter operations, A. T. Wellford has written:¹ " * * * Much more contradictory for older people is work where continuous rapid action is required * * * a feature associated with many light operations." Certain British surveys² conclude with the finding that the strain of arduous work impair the ability of workers as they advance in age.

But aside from these authoritative expressions, certain other factors of employment enter into this question of optional retirement. The limited range of promotion opportunities relative to the work force size precludes the upward movement of all employees however deserving or talented. Faced with advancing age and the falling inclination for advancement, retirement looms as alternative release. It may be that the employee will turn to some other occupational pursuit. In such an event, I seriously question the claim of economic loss. For if this employee has reached the point where his future in the service is empty of all save the paycheck and retirement, the likelihood of his enthusiastic response to the new production pressures become suspect. His adjustment to the new techniques, the machine operations and other job-related skills, becomes relatively more difficult. I include in this reference not only the operating employee, but also the lower echelon supervisor whose advanced age makes difficult the assimilation of the highly formularized management routine.

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

The same pressures apply to the infirm employee whose productive effort is impaired through the ravages of time, physical incapacities, and job-induced strains. For these workers, the job is devoid of extra financial meaning which

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

² "Criteria for Retirement," Geneva Mathieson.

this service requires under its new procedures. Shut off from the more exciting roles by age, and limitations for advancement, they are reluctant to undertake the new changes now being thrust upon them.

Mr. Chairman, I seriously question the wisdom of withholding the alternative of S. 176 from the relatively few employees who would or could accept the income reduction of retirement.

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

With respect to the questionable gain to Government and the economy by passage of this legislation, I think we are rapidly approaching the critical point of the serious unemployment problem. And while I would hope that the basic consideration of this legislation will proceed without this type of adverse emphasis, it is worthy of note that greater social and economic costs lie ahead if this problem isn't dealt with utilizing our total resources. I am aware that the relatively few persons who would leave the service would not be sufficient to seriously dent the unemployment problem we face. However, to the degree that new job opportunities appear and to the degree that these retired people either spend their retirement or open other areas of additional spendable income, I can see nothing less than a net gain through additional employment, increased taxation sources and increased consumption.

Allow me to refer to your attention the views of Mr. Bernard Nossiter, an economic writer, as set forth in the Washington Post, August 5, 1962. "A great shift in tastes has taken place, reflecting the higher income of a large segment of the population. Consumers are spending relatively less on goods such as cars, clothing, washing machines, and toasters; they are spending relatively more on services such as vacations, television repairs, and doctors. In 1948 consumers spent 64 cents out of every dollar of income on goods; in 1961 they spent only 55 cents on goods. But expenditures for goods have a higher multiplier than those for services; that is, \$1,000 spent on a car will have a greater effect in increasing jobs by increasing demands for parts, raw materials and the like than \$1,000 spent on doctors' services."

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

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

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

³ Survey of 113 largest corporations—by Tuckerman & Lange, "The Meaning of Work and Retirement," Friedman & Houghurst.

