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STRENGTHENING FINANCIAL CONDITION OF EMPLOYEES' LIFE INSURANCE FUND

HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT, INSURANCE,
AND HEALTH BENEFITS

OF THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 6434

A BILL TO STRENGTHEN THE FINANCIAL CONDITION OF THE
EMPLOYEES' LIFE INSURANCE FUND CREATED BY THE FED-
ERAL EMPLOYEES' GROUP LIFE INSURANCE ACT OF 1954,
AND FOR OTHER PURPOSES

MARCH 30, 1965

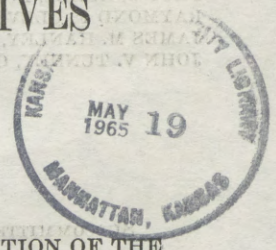
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STRENGTHENING FINANCIAL CONDITION OF EMPLOYEES' LIFE INSURANCE FUND

TUESDAY, MARCH 30, 1965

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

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

Mr. DANIELS. The subcommittee will come to order.

The subcommittee is meeting this morning to receive testimony on H.R. 6434, a bill to strengthen the financial condition of the employees' life insurance fund created by the Federal Employees' Group Life Insurance Act of 1954, and for other purposes.

(The bill follows:)

[H.R. 6434, 89th Cong., 1st sess.]

A BILL To strengthen the financial condition of the Employees' Life Insurance Fund created by the Federal Employees' Group Life Insurance Act of 1954, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 5 of the Federal Employees' Group Life Insurance Act of 1954, as amended, is amended to read as follows:

"(b) For each period in which an employee is insured under a policy of insurance purchased by the Commission as authorized in section 7 of this Act, there shall be contributed from the respective appropriation or fund which is used for payment of his salary, wage, or other compensation (or, in the case of an elected official, from such appropriation or fund as may be available for payment of other salaries of the same office or establishment) a sum computed at a rate determined by the Commission, but not to exceed the amount withheld from the employee under this section."

SEC. 2. The amendment made by the first section of this Act shall be effective on the first day of the first pay period beginning on or after July 1, 1965.

Mr. DANIELS. Before proceeding with the testimony, I believe it is appropriate to formally welcome the members on the occasion of this, the first public hearing to be conducted by our newly constituted standing Subcommittee on Retirement, Insurance, and Health Benefits. It also seems most fitting that we should have, as the first witness to appear before the subcommittee, the Chairman of the U.S. Civil Service Commission, the Honorable John W. Macy, Jr., a man we all hold in high esteem because of his outstanding record of public service, both as a career civil servant during his early Government years and, more recently, in high executive assignments.

H.R. 6434 will answer the need for early enactment of legislation to protect the financial integrity of the Federal employees' group life

insurance program established by the act of August 17, 1954. Millions of Government employees, wives, and children depend heavily on this program for a major part of their insurance protection. Premiums paid by employees, with a similar Government contribution, make up a trust fund from which life insurance claims are paid. This fund must be maintained at a proper level, in the interest of the United States and to keep faith with the employees.

The need for this bill was disclosed by an actuarial valuation of the employees' life insurance fund reported to the Congress on March 4. The valuation shows that the employee's premium rate of 25 cents per \$1,000 biweekly and the Government's share of 12½ cents, or 37½ cents in all, fall 7 cents per \$1,000 short of the amount necessary to maintain the life insurance fund at a fully funded actuarial level.

We have learned from bitter experience that failure of the Government to assure adequate financing of trust funds of this kind leads to serious trouble. Government contributions to the civil service retirement fund, for example, from the start have been too little or too late, causing a serious actuarial deficit. We cannot let that kind of history repeat itself.

As announced by the Chair on March 19, the subcommittee will complete hearing on H.R. 6434 today and it is hoped that the witnesses will cooperate to this end in the presentation of their statements. I believe that we have rather general agreement on the importance of the principles involved.

Chairman Macy, it is a privilege to have you appear in person as the first witness before our subcommittee. We will be glad to receive your testimony at this time.

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

Mr. MACY. Thank you very much, Mr. Chairman, and members of the subcommittee. It is a pleasure to appear before you again. I particularly want to thank the chairman for his gracious introduction. I want to commend you and your associates for the prompt action in bringing up this legislation at this time.

I have a brief statement that I would like to offer as an opening comment on this legislation and then Mr. Ruddock and I will be available for your questions.

Mr. DANIELS. Fine, you may proceed in any fashion that you desire, Mr. Macy.

Mr. MACY. Thank you, sir.

It is a pleasure to testify for the Civil Service Commission on H.R. 6434, a bill introduced by Chairman Daniels to strengthen the financing of the Federal employees' group life insurance program.

The Commission's report to the chairman of the full committee, Congressman Murray, dated March 29, 1965, sets forth our official position on this legislative proposal. To complete the record, Mr. Chairman, I suggest that this report be incorporated in the subcommittee's proceedings.

Mr. DANIELS. Without objection, the report will be incorporated in the proceedings of this hearing.

(The document follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 29, 1965.

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

DEAR MR. CHAIRMAN: This refers to your request of March 20 for Commission report on H.R. 6434, a bill "to strengthen the financial condition of the employees' life insurance fund created by the Federal Employees' Group Life Insurance Act of 1954, and for other purposes."

In brief terms, the Federal program provides each covered employee with group life insurance (plus an equal amount of accidental death and dismemberment insurance) approximating annual basic salary at all times up to a maximum of \$20,000. Life insurance may continue free after active employment ends if the employee retires on immediate annuity after 12 or more years of service or on account of disability. The amount of free life insurance held by a retiree is subject to reduction, after date of retirement or after age 65, whichever is later, at the rate of 2 percent a month until it is reduced to 25 percent of the original amount.

Subsections (a) and (b) of section 5 of the Insurance Act specify the contributions required of employees and the Government, respectively, to finance the insurance program. Employees pay at a rate determined by the Commission which by law cannot exceed 25 cents biweekly for each \$1,000 of life insurance. The Government contributes, from agency appropriations, at a Commission-determined rate which by law may not exceed one-half the employee's payment. Since the program began in 1954, the Commission has prescribed 25 cents and 12½ cents, the statutory maximums, as the biweekly contribution rates for each \$1,000 of life insurance.

By letter of March 4, 1965, the Commission reported to your committee the results of an actuarial valuation of the Federal employees' group life insurance program as of June 30, 1963. Among other things, the valuation showed that the present biweekly premium of 37½ cents is inadequate as a permanent level premium, if all assumptions used in the valuation are borne out by future experience. Assuming indefinite continuation of present provisions, an estimated level biweekly premium of 44½ cents is needed to adequately finance the program.

H.R. 6434, introduced as a direct result of these valuation findings, proposes to open the way for an increase in the overall premium rate sufficient to permanently finance the program. The bill would amend section 5(b) of the Insurance Act, effective July 1, 1965, to alter the Government contribution maximum and give the Commission discretionary authority to require Government contributions at a rate not exceeding 100 percent of employee payments. The employee contribution rate would remain unchanged at 25 cents biweekly for each \$1,000 of life insurance. If the law were so amended and the Government contribution rate increased by 7 cents to provide the needed total biweekly premium of 44½ cents, the estimated added annual Government cost would be \$31.6 million.

The Commission agrees with the main objective of H.R. 6434—that of strengthening the financing of the insurance program. We also agree that the best method of accomplishing this would be to give the Commission authority to increase premiums as the need arises. We have not, however, reached a conclusion that the needed increase in premiums should be provided entirely from a rise in the Government contribution rate.

There is evidence to indicate that many progressive private employers assume a larger share of the cost of employee life insurance plans than the one-third share paid by the Government toward the Federal program. But existing evidence on this point does not necessarily justify a shift of policy to a larger Government share of insurance program costs. Such a larger share can be justified only if it can be shown that private employers are contributing significantly more toward the financing of a total package of fringe benefits.

The President's Cabinet Committee on Federal Staff Retirement Systems has been directed to study the entire package of Federal fringe benefits—annual and sick leave benefits, group life and health insurance—to determine how they fit in with retirement. Through examination of the fringe benefit packages of State and local governments and in private industry in terms of total cost, the study Committee is expected to provide reliable information on comparative practices of Government and other large employers in all fringe benefit areas including employer contributions toward life insurance plans. We therefore feel that no

change in the Government's share of life insurance costs should be made until after the Cabinet Committee has reported back to the President, December 1, 1965, and a well-informed policy can be formulated in the light of its findings and recommendations.

We accordingly suggest that H.R. 6434 be amended to also amend section 5(a) of the Insurance Act to change the maximum employee contribution rate of 25 cents to some higher figure such as 35 cents biweekly. If so amended, the Commission recommends that the bill be enacted into law.

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. The Federal Employees' Group Life Insurance Act, in effect since August 29, 1954, is widely regarded as one of the most effective and liberal of the fringe benefit programs available to Federal employees. In view of the major role played by the House Committee on Post Office and Civil Service in the establishment of this statutory program, and your demonstrated concern, Mr. Chairman, for its progress throughout the years, I know you will be interested in a brief status report re this program.

The program has served well its major objective of providing additional protection to the families of Federal employees through low-cost group life insurance. In the 10-year period ending June 30, 1964, almost \$800 million was paid to the survivors of about 150,000 deceased employees and annuitants. In fiscal year 1964 alone, over \$120 million was paid in 21,800 claims. Widows and children are the recipients of most of these benefits.

According to our calculations, before the closing day of this calendar year, the total volume of claims paid out under this program throughout its history will exceed a billion dollars.

At the present time, the life insurance in force under this largest of all group insurance contracts exceeds \$18 billion. Future years will see an ever-increasing number of dollars paid in benefits.

Under the Insurance Act, covered employees now have group life insurance (plus an equal amount of accidental death and dismemberment insurance) approximating annual basic salary at all times, up to a maximum of \$20,000. Employees pay for this coverage at a rate the Commission determines. By law this rate cannot exceed 25 cents biweekly for each \$1,000 of life insurance. The Government contributes, from agency appropriations, at a Commission-determined rate which by law may not exceed half the employee's payment. Since the start of the program in 1954, the Commission has prescribed the statutory biweekly maximum of 25 cents for employees and 12½ cents for agencies as the contribution rates for each \$1,000 of life insurance.

Actuarial valuation of the Federal employees' group life insurance program as of June 30, 1963, showed the existing total biweekly premium rate of 37½ cents per \$1,000 of insurance to be 7 cents short of the 44½ cents level premium needed for adequate financing. H.R. 6434 would, effective July 1, 1965, open the way for an increase in the overall premium rate sufficient to permanently finance the program. Under the bill, the Commission would be given discretionary authority to fix the Government contribution rate at any amount not exceeding 100 percent of the 25 cents rate currently paid by the employee, whose

rate would remain unchanged. Raising the Government rate by 7 cents to provide the needed total biweekly premium of 44½ cents would result in an estimated added annual Government cost of \$31,600,000.

The Commission agrees with the primary objective of H.R. 6434, to strengthen the financing of the life insurance program. However, we do not agree at this time with a conclusion that all of the needed additional premium should come from Government contributions. We suggest that the bill be amended to change the maximum employee contribution rate of 25 cents to some higher figure. If the bill is so amended, the Commission recommends that it be enacted into law.

President Johnson has recently designated a Cabinet Committee on Federal Staff Retirement Systems to study the entire package of Federal fringe benefits—annual and sick leave benefits, group life and health insurance—to determine how they fit in with retirement. Through examination of the fringe benefit packages of State and local governments and in private industry in terms of total cost, the study Committee is expected to provide reliable information on comparative practices of Government and other large employers in all fringe benefit areas including employer contributions toward life insurance plans. We therefore feel that no change in the Government's share of life insurance costs should be made until after the Cabinet Committee has reported back to the President, December 1 of this year, and a well-informed policy can be formulated in the light of its findings and recommendations.

If the bill is enacted as introduced or if amended as we suggest, the Commission will defer exercising its discretion to increase contribution rates until the Cabinet Committee has made its report to the President.

I want to thank you gentlemen for this opportunity to comment on H.R. 6434.

Mr. Ruddock and I will gladly answer any questions that you may have with respect to this testimony or any other features of the group life insurance program.

Mr. DANIELS. Mr. Macy, thank you for your very concise and brief statement.

I would like to ask you this question, Mr. Macy. I believe you are familiar with the provisions of H.R. 2188 and H.R. 6160 to provide certain adjustments in the amount of group life and group accident and death and dismemberment insurance under Federal Employees' Group Life Insurance Act of 1954 in accordance with the current salary structure for Government offices and employees. Does the Civil Service Commission have any objection to the enactment of such legislation?

Mr. MACY. No, sir, the Commission would have no objection.

Mr. DANIELS. Would you care to comment on whether such legislation would entail any additional cost to either the life insurance fund or to any employees who participate in the life insurance program?

Mr. MACY. No, sir, under the bills you cite, if the maximum insurance authorized were to be increased to a figure higher than the present maximum of \$20,000, the increased insurance would be financed in the same fashion as the present insurance. It would mean that there would be 25 cents per thousand for the additional amount on the part of the employee and 12½ cents on the part of the Government. This would

represent such a limited increase in the Government's costs that it would have no perceptible bearing on the financial situation which you are dealing with in H.R. 6434. The group of employees involved in the increases would tend to be somewhat older employees, but even that would not adversely affect the financial situation because of the tremendous coverage of the total program.

Mr. DANIELS. The number of persons who would fit that category would be rather limited.

Mr. MACY. Very limited.

Mr. DANIELS. And as a result the additional cost would be infinitesimal.

Mr. MACY. Be very small.

Mr. CORBETT. Mr. Chairman.

Mr. DANIELS. Yes.

Mr. CORBETT. Mr. Macy, this Cabinet Committee is not directed to report back until December 1. Why is that date pushed back so far in the future? This action apparently has been needed for a little time and here we are letting the better part of a year go by. Why couldn't it be done reasonably soon?

Mr. MACY. Mr. Corbett, the scope of the assignment given by the President to this Committee is a very comprehensive one. It includes not only the retirement and other benefits for the civil service employees, it includes also the Foreign Service employees and the military service. It is an effort to update the program. You may recall from your earlier service with this Committee the work of the so-called Kaplan committee and, in fact, I believe you were a member of the Committee when that study was authorized by the Congress.

It was the President's view that before the administration took any definitive position with respect to changes in various features of the various retirement and benefit programs, it would be necessary to update the Kaplan report and its findings and to come up with a current picture of Federal retirement benefits to be compared with the situation on the part of large employers outside of the Government. So the time involved here is believed to be about the best we can do in view of the magnitude of the task that has been assigned.

Mr. CORBETT. Hasn't the history of these things been that when you put a date that far in advance they will probably start work after Labor Day? Congress does this. If we are not going to adjourn until sometime later, then we put things off.

Mr. MACY. In this case, I can assure you this is not occurring. The group is organized and underway. It has a staff director who has been drawn from the Civil Service Commission. There are experts on military retirement that have been drawn from the Defense Department and at 1 o'clock today, several of the principals who were designated by the President as members of the Committee are meeting with the staff to lay out the work in order to assure that it is completed by the deadline that the President has designated.

Mr. CORBETT. After they have made a report, we will probably not be in session then and if it demands legislation, which it probably will, we won't be in session and organized until probably after Lincoln's Birthday next year and until we get things moving and get the legislative program going, it is going to be a long time until we get anything done.

My other question, Mr. Chairman, was this and maybe this Committee will go into it a bit. Is it not becoming increasingly true that many employers throughout the country, including very large ones, rather than increasing the employees' payments are making the total payments on life insurance programs for longtime employees?

Mr. MACY. There have been instances where employers have paid the total cost of life insurance. There are instances where employers have increased the amount of insurance that can be covered.

Mr. DANIELS. Will you yield at that point?

Mr. CORBETT. Yes.

Mr. DANIELS. Mr. Macy, isn't it generally true most corporations pay at least half of the premium?

Mr. MACY. There are many that do. I don't have sufficiently complete data to say that most of them do. There has been a trend toward an increased contribution on the part of the employer, that certainly is correct.

Mr. DANIELS. I note, however, that you make a recommendation that the bill be amended so that the maximum employee's contribution rate of 25 cents be pegged at a higher figure. Do you insist upon such an amendment?

Mr. MACY. The Commission's view, Mr. Chairman, is that if there is to be an increase to cover the 7 cents, which constitutes the shortfall on complete financing, there should be serious consideration of the proposition of some sharing of that 7 cents between the Government and the employee rather than to have the total cost absorbed by the Federal Government.

Mr. DANIELS. What is the attitude of your Commission with respect to absorbing a portion of that 7 cents deficiency?

Mr. MACY. Absorbing it on the part of the Government?

Mr. DANIELS. Yes.

Mr. MACY. Our view would be that a portion of the 7 cents would appropriately be the responsibility of the Government, but we raise a question as to whether the meeting of the total 7 cents constituting a \$31 million increase annually is appropriate.

Mr. DANIELS. Are you in a position to commit yourself this morning as to what portion of that 7 cents the Government would be willing to absorb?

Mr. MACY. No, we haven't gone that far in determining just how much the Government's share should be. Again, our feeling is that we need to analyze this with greater precision before coming up with any precise estimate as to how much the increase should be.

Mr. DANIELS. However, if the Government absorbs the whole 7 cents, the Government's share would only total 19½ cents as compared to 25 cents paid by the employee?

Mr. MACY. That is true.

Mr. DANIELS. Mr. Corbett, do you have any questions?

Mr. CORBETT. No.

Mr. DANIELS. Mr. Matsunaga.

Mr. MATSUNAGA. Mr. Macy, I note in your statement you say after making the suggestion that the employee make some contribution, that if the bill is so amended, the Commission recommendation is that it be enacted into law and if the bill is not so amended, then you do not recommend its passage?

Mr. MACY. That is right. I would recommend that the discretion be applicable for increasing both the Government's share and the employee's share, so that the Commission has a discretion as to what the distribution should be.

Mr. MATSUNAGA. So without such an amendment, you would be against the bill?

Mr. MACY. That is my position.

Mr. MATSUNAGA. Have you made any studies as to what that proportionate share should be between the employee and the Government, the additional share?

Mr. MACY. No; I don't have any precise study which would indicate what the share should be. Really, before making any change from the present pattern, we would feel that we need to do a much more penetrating analysis of the data we have and that has been the case up to the present time.

Mr. MATSUNAGA. Right now it is on a 2 to 1 basis.

Mr. MACY. That is correct.

Mr. MATSUNAGA. If the Government were to absorb the 7 cents, would that percentage come to?

Mr. MACY. Then the Government would be paying 19½ cents and the employee 25 cents and the ratio would roughly be 5 to 4 rather than 2 to 1.

Mr. MATSUNAGA. No further questions.

Mr. DANIELS. Mr. Clevenger.

Mr. CLEVINGER. Mr. Chairman, I am interested in finding out whether your Cabinet Committee would develop information which would permit consideration of the interchange of the term "benefits" between Federal, State, and local governmental employees. I am sure you have gone into this.

Mr. MACY. I am familiar with this subject, Mr. Clevenger, because for a number of years, many of us in public personnel administration have felt it would be desirable to increase the mobility between levels of government on the part of public employees. The claim has been that one of the obstructions to such a mobility has been the nature of the retirement systems. The studies conducted under the Cabinet Committee will consider this along with other issues relating to retirement.

Mr. Chairman, it may be that in view of these questions concerning the Cabinet Committee, you would like to have for the record a copy of the President's directive establishing this committee. I have that available, if that is your desire.

Mr. DANIELS. Pardon?

Mr. MACY. I was suggesting, Mr. Chairman, that in view of the questions that Mr. Clevenger and Mr. Corbett have asked about the Cabinet Committee, I would be happy to introduce in the record at this time a copy of the President's directive establishing that Committee, indicating its membership, its coverage, and deadline.

Mr. DANIELS. Without objection, it shall be received.
(The document follows:)

MEMORANDUM OF FEBRUARY 1, 1965

[CABINET COMMITTEE ON FEDERAL STAFF RETIREMENT SYSTEMS]

Memorandum for the Secretary of State, the Secretary of Defense, the Postmaster General, the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Director of the Bureau of the Budget, the Chairman of the Civil Service Commission

The Federal Government pays an important part of the compensation of its employees in the form of benefits under staff retirement plans. Such plans are provided for civilian employees of the executive departments and agencies, and for members of the uniformed service. The patterns and amounts of these payments must be effective for their purpose. The payments must be properly related to the personal service upon which they are based, and to similar retirement benefit programs elsewhere in the economy.

The retirement policies of the Federal Government, as employer, and the programs and methods by which these policies are made effective were last examined in the reports of the Committee on Retirement Policy made in 1954. Since then numerous adjustments have been made in these Federal programs.

In order to establish up-to-date guides for use in the executive branch in considering proposed changes and further improvements in retirement plans, I request that the whole structure of our retirement policies be reviewed as to objectives, coverage of both civilian and uniformed personnel, benefit patterns, financial soundness, and overall consistency. I also request that survivor benefits available under the various retirement plans be examined in relationship to similar survivor benefits provided under social security, Government life insurance, and other disability, death, and survivorship programs.

Accordingly, I appoint you to serve on a temporary Cabinet Committee on Federal Staff Retirement Systems under the Chairmanship of the Director of the Bureau of the Budget. The Committee is authorized to conduct such studies as it deems necessary to carry out the purposes of this memorandum. The Committee should submit its final report to me by December 1, 1965, and include in the report recommendations for any adjustments which the Committee deems necessary to make the retirement systems fully effective and more equitable.

Each member of the Committee will designate an alternate to represent him when he is unable to attend Committee meetings. Members will furnish such assistance to the Committee as may be required in conformity with the provisions of section 14 of the act of May 3, 1945 (59 Stat. 134, 31 U.S.C. 691). Such assistance may include detailing of employees to the Committee, one of whom may be designated by the Chairman to serve as its executive secretary and staff director, to perform such functions as the Committee may assign. The Bureau of the Budget and the Civil Service Commission will provide administrative services to the Committee.

The Committee may request information from the executive departments and agencies pertaining to its work, and may invite the head of any Federal agency to participate in the Committee's meetings when matters of special interest to such agency are to be considered.

To the extent it deems appropriate the Committee should consult with representatives of employee organizations and obtain advice from technical experts on retirement matters both within and outside the Federal Government. In arriving at its conclusions, the Committee should take account of the views of all who have an interest in the study and the competence to make a contribution to it.

This memorandum will be published in the Federal Register.

LYNDON B. JOHNSON.

Mr. CLEVINGER. I am interested, as you are, in really taking a first generation look at the civil service system, how it is working, how it can be improved, where it fits into the society we now have and how to solve some of the problems that have developed because of its development. I defer to my colleague on the other side, but if this takes time, I am willing to have it take time so long as we do a thorough job.

Mr. MACY. It is a difficult question. From time to time, we have discussed legislation before this committee which would extend credit under the Civil Service Retirement Act for periods of State service, where the State programs involved are partially or wholly funded by the Federal Government. I have taken a position in opposition to such extension because I believe that what we would be doing is extending the Federal system to cover State employment and asking the Federal Government to fund retirement costs for State service. It would be better if all public jurisdictions had adequate retirement programs and if vesting of retirement credits occurred as a result of State service, rather than to load the civil service fund with credit for all of the service.

Mr. DANIELS. Will you yield? I would like to state at this point that tomorrow this subcommittee will open hearings on retirement retiree's benefits, and so forth. We will go into that very much in detail and the committee intends to spend a great deal of time on that question. In fact, Mr. Macy will be back here tomorrow to testify. We will go into it more deeply at that time.

Mr. Hanley.

Mr. HANLEY. In view of your suggestion of an amendment, do I understand correctly that at this point, you have not determined the amount of employee participation with respect to the 7-cent increase?

Mr. MACY. That is correct.

Mr. HANLEY. Thank you.

Mr. DANIELS. We are honored this morning by the presence of a distinguished member of the full committee, Mr. Olsen of Montana, who is the chairman of the Subcommittee on Postal Facilities and Modernization. While not a member of this particular subcommittee we are happy to have him here and I don't believe there will be any objection to Mr. Olsen asking some questions if he so desires.

Mr. MACY. I always enjoy receiving Mr. Olsen's questions.

Mr. OLSEN. Thank you very much, Mr. Chairman, and I want to go along with your committee in welcoming Mr. Macy back here to discuss the very important problems of employees with us. I do have one particular question and that is, Who are the members of the Cabinet Committee on Federal Staff Retirement Systems?

Mr. MACY. The members of the Committee are the Secretary of State, Secretary of Defense, Postmaster General, Secretary of Labor, Secretary of Health, Education, and Welfare, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission.

Mr. OLSEN. That might explain why it is going to take them so long to report. They have so many other duties, they can't spend time—

Mr. MACY. They have other duties, but there will be a designated deputy of each of these officers who will be working on this and there

will be a full-time staff that will be pulling together the information in preparation for meetings of the principal officers of the committee.

Mr. OLSEN. Thank you very much.

Mr. Chairman, I would like to commend to the committee that the Congress do something about determining policy here and not just rely on the executive branch to make policy. It seems to me that the Congress is perfectly capable of making a comparison between insurance systems of private enterprise and Government and along with our policy of comparability, that we have an enlightened system for employees comparable with the best of private enterprise.

Mr. CORBETT. Will the gentleman yield there for a moment?

Mr. OLSEN. I yield the floor; thank you.

Mr. CORBETT. Mr. Macy, you estimated that during 1964, there were how many dollars of benefits paid out of this fund?

Mr. MACY. I said \$120 million.

Mr. CORBETT. Now if we delay our work for another year, obviously it is going to have a bad effect on a great number of people for a year's time; is it not?

Mr. MACY. No; I don't believe that the situation is such that a period of 12 months will adversely affect the condition of the fund. This is an actuarial valuation which has produced evidence of the short fall, but it is based upon projections for the entire Federal work force into the indefinite future. There is no danger involved insofar as the Government meeting the claims that come up in the next 12 months.

Mr. CORBETT. There will obviously be some financial shrinkage in the fund and there will obviously be some loss of benefits to the estates of employees.

Mr. MACY. No; there will be no loss of benefits at all. I certainly don't want to leave the impression with you or the public that there will be any loss of benefits.

Mr. CORBETT. I meant between what they are presently going to receive and what they might receive under a bill which has increased the benefits.

Mr. MACY. The bill before us today does not increase benefits, as I understand it.

Mr. CORBETT. I think it was the plan here to increase the benefits in line with the increased salary bill of last year.

Mr. MACY. The chairman's reference to the bills with respect to increasing the maximum—I beg your pardon, if that was your reference—if that bill were deferred, those with salaries between \$20,000 and \$30,000 would not gain additional insurance coverage for that amount during the period of delay.

Mr. CORBETT. Take, for example, your own case. Your coverage would be increased if this proposal were to pass.

Mr. MACY. Yes, if H.R. 2188 or H.R. 6160 were passed, my beneficiaries would have a potential increase of several thousand dollars.

Mr. CORBETT. Now, that delay means a period of risk in which you are not given the additional coverage. I am just putting this on the record.

Mr. MACY. My response to the chairman's question on those bills was that the Commission had no objection to the increase in the maximum to cover the change in salary levels enacted last year.

Mr. CORBETT. Now?

Mr. MACY. Yes.

Mr. CORBETT. What danger could there possibly be if we increased the authorization for, let us say, both the permission to increase the employee's payment and the Government's payment. If we increase the authorization, we have not changed the payments one bit. Then if you wanted to, you could do it immediately or you could wait until the Cabinet Committee had reported—

Mr. MACY. That was the purport of my testimony. I have no objection to the granting of the authorization in legislation on a current basis, but I indicated that in view of the Cabinet Committee study, exercise of discretion under that authorization by the Civil Service Commission would be deferred until the results of the Cabinet Committee study were in. This would not necessarily mean that enactment of the authorization would have to be delayed that long.

Mr. CORBETT. So long as that is a discretionary power, you gentlemen have the authority to change it when you want to, is that not correct?

Mr. MACY. That is correct. We have the discretion now. However, that discretion has been utilized up to the maximum authorized by the statute, so that in order to gain the discretion for increase, it is necessary to have amending legislation.

Mr. CORBETT. If we were to increase the authorization 10 cents a thousand on employees and 15 cents a thousand on the Government, you would at any time in the future be privileged to exercise any part of that discretion?

Mr. MACY. Yes, if the increases were on a discretionary basis, right. Or, we would have the discretion to increase it any portion of the new amount.

Mr. CORBETT. That is exactly what I meant.

Mr. MACY. Correct.

Mr. DANIELS. As it stands now, Mr. Macy, you have the discretionary power to increase the contribution that the Government would make?

Mr. MACY. No, the statute as it stands now limits the amount of the Government contribution to half of the employee's contribution.

Mr. DANIELS. Not under the proposed bill?

Mr. MACY. Under the proposed bill, under your bill, it would be possible for the Commission to increase the Government's contribution that is correct.

Mr. DANIELS. And it is true if you do not take any action, then this committee could take further action?

Mr. MACY. That is correct.

Mr. DANIELS. So I assume you are going to wait until the President's Committee comes in with a report?

Mr. MACY. We would await the receipt of that report and its findings before taking action. However, in view of the valuation report that we provided the Committee, it is indicated that there is need for an increase and we would feel that the enactment of this authorizing legislation, as Mr. Corbett has indicated, would be in preparation for action by the Commission in the event that an increase is indicated by the study.

Mr. DANIELS. Thank you very much. Thank you, Mr. Ruddock.

Mr. MACY. Thank you.

Mr. DANIELS. I have before me a report from the Bureau of the Budget which coincides and confirms the testimony made by Mr. Macy which I now offer for the record, if there is no objection.

(The report follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 29, 1965.

HON. TOM MURRAY,

*Chairman, Committee on Post Office and Civil Service House of Representatives,
Cannon House Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: Reference is made to the committee's request for the views of the Bureau of the Budget respecting H.R. 6434, a bill "To strengthen the financial condition of the Employees' Life Insurance Fund created by the Federal Employees' Group Life Insurance Act of 1954, and for other purposes."

The purpose of the bill is to eliminate the statutory maximum on the rate of Government contribution to the life insurance program under the Federal Employee's Group Life Insurance Act, presently limited to one-half the employee's payment, so as to authorize the Civil Service Commission to increase Government contributions to a rate not exceeding 100 percent of the employee payment rate.

In a report which the Chairman of the Civil Service Commission is submitting to your committee on this bill, he recommends its enactment provided it is amended to increase the authorized maximum employee contribution rate as well. The Chairman's report sets out in detail the facts concerning current premiums and the results of a recent actuarial valuation of the program, which indicate that the present 37½ cents premium total is inadequate for permanent financing.

In the light of the views expressed by the Civil Service Commission, with which this Bureau concurs, there would be no objection from the standpoint of the administration's program to enactment of the subject bill, amended as suggested above. We also share the Commission's view that no change in the Government's contribution should be made until the Cabinet Committee report has been received, evaluated, and a policy formulated.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Mr. DANIELS. Our next witness is Mr. James Rademacher, vice president, National Association of Letter Carriers.

STATEMENT OF JAMES RADEMACHER, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. RADEMACHER. Mr. Chairman, in compliance with your request, I would like to file my statement and just very briefly elaborate on important sections of it, if I may.

Mr. DANIELS. All right, without objection, your statement will be incorporated in the record, and you may proceed to give a brief statement.

Mr. RADEMACHER. We would like, at the outset, Mr. Chairman, to commend the enthusiasm of this committee. It appears that there is great interest in the life insurance program.

We are also pleased to note that there is concern today about the apparent delay in the report of the President's Committee on Retirement. It is quite evident that there is going to be a delay, and we are vehemently opposed to delaying any urgent legislation until such a time as the Committee would get around to acting. For that reason, we urge this committee to take any and all actions that they deem advisable in the best interests of the Government and the employees

to expedite the passage of critical and urgent legislation, irrespective of a Committee appointment that has been made.

I would like to, at the same time, just as violently oppose the amendment that has been suggested by the Civil Service Commission. We doubt that it was the intention of Chairman Daniels, when he introduced H.R. 6434, to cause retrogression in the field of fringe benefits. The Government is slowly becoming a leader in the field of fringe benefits for people who work for a living. You have before you a proposal that has just been made which would cause retrogression in the field of fringe benefits at a time when the Government has been so liberal in the past on fringe benefits, accepting the standards that industry has adopted in past years, and to now accept a proposal whereby the employees would have to pay additional premiums is actually retrogression, and we are very much opposed to it.

We support wholeheartedly H.R. 6434 and certainly any amendments as proposed would be a backward move. I might just say, Mr. Chairman, that we have fringe benefits such as the Sick Benefit Act and Sick Leave Act. If an employee is on sick leave at a time when his salary happens to have increased, he doesn't have to pay a portion back to the Government. You have, once you accept fringe benefits and accept the responsibility of paying fringe benefits, to also pay any increased costs, and this is just the trend, and certainly the Government will be acting contrary to that trend if they ask employees to pay additional amounts.

We feel that it would be disastrous if anything would happen to impair the effectiveness of the Federal employees' group life insurance program. There are a number of bills which I have referred to in my testimony, Mr. Chairman, which I hope the committee will at some time get around to considering because they are all important to the life insurance program. But actually, your bill, Mr. Chairman, H.R. 6434, will act as insurance to the insurance program and it is solid legislation, very timely and you are to be commended for the far-sightedness in foreseeing this crisis which is about to occur.

Before concluding, I want to wholeheartedly endorse the legislation by Congressman Corbett, H.R. 2188, and your own bill, H.R. 6160. We feel that Congress is entitled to the same benefits whereby the face value of the life insurance would be commensurate with their salary. We are solidly behind this legislation.

Mr. DANIELS. Thank you, Mr. Rademacher. I want to also thank you for your gracious remarks concerning the Chair. Your testimony is always refreshing.

Mr. Corbett, any questions?

Mr. CORBETT. I would like to ask a question because I was guilty of not paying complete attention when you said that something was retrogressive. Were you referring to the testimony of Mr. Macy?

Mr. RADEMACHER. Congressman Corbett, I was suggesting that the amendment offered by the Civil Service Commission was retrogressive. In this modern era of employee-employer relationship, I further stated when you were called away, that we concur in your thoughts concerning this Retirement Committee and that nothing should deter this committee that has been established by the full House committee for the purpose of looking into the field of retirement and insurance and we would hope that such a Committee, even though appointed at the

White House, would not deter your actions in taking quick action on urgent legislation such as this.

Mr. CORBETT. Isn't it increasingly true that business, and even the Government, in programs of this kind, is paying at least 50 percent, the most recent case being the proposals on health and hospitalization for people over 65. Isn't the Government paying half on that?

Mr. RADEMACHER. You find this trend increasing and I am very proud to tell you, Congressman Corbett, that the National Association of Letter Carriers in Washington hires over 150 people and we pay all of their life insurance with a \$2,000 policy in effect for every employee. We pay the complete premium.

Mr. DANIELS. Mr. Matsunaga.

Mr. MATSUNAGA. Mr. Rademacher, do you know of any comparative study which has been made between the Government insurance program and private business?

Mr. RADEMACHER. I do not, sir, and I doubt that there would be one which be exactly comparative because of the tremendous size of the Government life insurance program. There may be comparative figures, but I am not aware of them.

Mr. MATSUNAGA. Here I notice the ratio paid by the Government is 1 to 2. You don't happen to know the ratio in private industry?

Mr. RADEMACHER. No, I do not, but from what we understand through AFL-CIO sources, the trend is now beyond the 50-percent figure; that is, industry is paying beyond 50 percent. This is the trend and I get this information from AFL-CIO sources.

Mr. DANIELS. I might say, Mr. Matsunaga, that when we meet in executive session, I shall take up that question of making a study sometime in the future. It is within the jurisdiction of this committee.

Mr. Cunningham, any questions?

Mr. CUNNINGHAM. No, thank you.

Mr. DANIELS. Mr. Clevenger?

Mr. CLEVINGER. No, not at this time, Mr. Chairman.

Mr. DANIELS. Mr. Hanley?

Mr. HANLEY. No questions.

Mr. CUNNINGHAM. Mr. Chairman, I am sorry I was late, but I am on another subcommittee, the Subcommittee on Postal Operations. We had a meeting this morning at the same time this committee was meeting and that is the reason for my delay.

Mr. RADEMACHER. May I conclude by saying we are very happy Congressman Cunningham is a member of that other committee because he certainly is adding a lot of value and weight to that important committee.

Mr. CUNNINGHAM. Thank you.

Mr. DANIELS. Thank you.

(Mr. Rademacher's prepared statement follows:)

PREPARED STATEMENT OF JAMES H. RADEMACHER, VICE PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. Chairman and members of the subcommittee, my name is James H. Rademacher and I am vice president of the National Association of Letter Carriers, with headquarters at 100 Indiana Avenue NW., in Washington, D.C. We have the privilege of representing almost 170,000 letter carriers located in more than 6,000 local branches situated in every corner of every State of the Union and in all our possessions.

Before beginning my formal statement, I want to thank this subcommittee for permitting us to come before you and state our views on H.R. 6434 and on other legislation affecting the excellent Federal Employees Group Life Insurance Act.

Naturally, we support wholeheartedly the provisions of H.R. 6434.

We want to congratulate you, Mr. Chairman, for your farsightedness in foreseeing a crisis before it actually happens and moving to correct a serious deficit situation before it engulfs us.

Would that, in years past, the same farsightedness and courage had been applied to the situation that threatens the civil service retirement fund.

In our opinion, and I am sure, gentlemen, in yours, it would be disastrous if anything would happen to impair the effectiveness of the Federal Employees Group Life Insurance Act of 1954. This was one of the most wholesome, most helpful and most sorely needed pieces of legislation ever to be approved by the Congress of the United States.

If I may be forgiven a moment of personal reminiscence, may I say that in 1954, when this act first was passed, I was president of the Detroit branch, No. 1, of the National Association of Letter Carriers. It was my custom to visit in person the widows of deceased letter carriers and to try my best to offer her some consolidation in the moment of bereavement. In a number of cases, I remember that the widows were completely surprised to learn that their husbands had this policy with the Federal Government. I have seen the dawn of hope in eyes that were clouded with despair. Believe me, nothing could have persuaded me more effectively as to the necessity of protecting this invaluable program.

We feel that your bill, Mr. Chairman—H.R. 6434—will act as insurance to the insurance program, and it thereby fulfills a distinct need.

While on the subject of life insurance, Mr. Chairman, I would like also to express our complete approval of your bill, H.R. 6160 (and the bill introduced by Mr. Corbett, H.R. 2188), which would lift the maximum face value of Government life insurance policies from \$20,000 to \$30,000. The salaries of Members of Congress were raised—as were all other Federal employee wages—because of the rise in the cost of living. We feel the widows of Congressmen should be treated with the same consideration as the Congressmen themselves, and we strongly approve of these bills.

We are extremely interested also in the bills introduced by Representative James H. Morrison, of Louisiana (H.R. 99), and Representative Dulski, of New York (H.R. 3150), which would modify the decrease in the value of Government group life insurance policies after age 65, or after retirement (whichever applies), from 2 percent a month to 1 percent a month, and which would place a floor of 50 percent under this devaluation process, instead of the present 25 percent.

We feel it is harmful to the morale of a retired Federal employee to feel that his value to his widow is decreasing rapidly, month by month. It is also a great worry to the widow.

If I may inject a slightly irreverent note at this point, I would like to say that this legislation could very well prevent a situation in which an ailing and infirm retiree might turn from his bed of pain to his devoted wife and say: "Thank you for all your consideration, Martha—and please take your foot off my oxygen hose."

As a matter of fact, Mr. Chairman, we would very much like to see this committee investigate the possibility of an amendment which would set a minimum face value of \$5,000 on all Federal employee life insurance policies. The high cost of living, and high cost of dying, today make a life insurance policy of less than \$5,000 almost pitifully inadequate, and, for many employees in the lower pay brackets, this Federal life insurance policy is the only one they can afford to own.

In addition, we are strongly in favor of Mr. Morrison's bill (H.R. 98), which would permit the purchase of an extra \$1,000 of Federal life insurance. We feel employees, particularly in the lower levels, need this extra protection for their survivors.

We also favor H.R. 432, Mr. Chairman, which you introduced in order to change the method of designating beneficiaries under the Life Insurance Act.

And finally, Mr. Chairman, we would appreciate it very much if this committee would consider legislation which would permit employees who have reached the age of 50—who have not previously purchased Government life insurance—to do so. We would not object if these employees would have to pay a certain

percentage of past premiums, or if they would have to take a physical examination. We do think, however, that these late converts to the wisdom of life insurance protection should be able to take advantage of their conversion. Often a man marries late in life, and suddenly finds himself encumbered with personal responsibilities he had not anticipated. When he was a bachelor he did not think life insurance worthwhile; now he does. We feel there should be some way of helping these employees to take care of those responsibilities.

Once again, Mr. Chairman and gentlemen, thank you for permitting us to express our views. We deeply appreciate your interest in the welfare of letter carriers and all other postal and Federal employees.

Mr. DANIELS. Our next witness is Mr. William Voss, director of research, American Federation of Government Employees.

Mr. Voss, if you have a prepared statement, you may read your statement or you may submit it for the record and testify briefly as to its content. Or you may proceed in any manner that would be suitable for yourself.

STATEMENT OF W. J. VOSS, DIRECTOR OF RESEARCH, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. Voss. Thank you, Mr. Chairman. I would like to submit the entire statement for the record and just make a few comments to highlight some of the points that have been made in the statement.

First, permit me to say that our national president, Mr. John Griner, is not able to be here today because he is presently in the Panama Canal Zone. Mr. George Meagher, our national legislative director, has a previous commitment which prevented his appearance before you. I am sure he would have been pleased to be here because of it being the initial meeting of the subcommittee.

This bill, H.R. 6434, sponsored by the chairman of this subcommittee, Mr. Daniels, we believe merits the full support of Federal employees. We urge favorable report and also express the hope that it will become law as speedily as possible.

We feel that Federal employees should be grateful to the sponsor of this bill for recognizing the need for taking such action and especially because the purpose is so important that it provides for the protection and the improvement of the Federal employee group life insurance program. As indicated in the statement, there is another important precedent which points up the need for this bill and that is the civil service retirement fund. In connection with that fund, full funding was not effected and has not yet been effected, which certainly emphasizes the need for taking that action at as early a stage as possible.

Our statement calls attention to the present situation. The bi-weekly premium of 37½ cents, which apparently is considered as being necessary to raise to 44½ cents and it is evident that this bill would leave the employee's contribution at an amount which is higher than that of the Government and even with the improvement of increasing the benefits under the present system to include an additional \$1,000 nonreducing insurance, the employee still would be paying more than the Government's share.

It is our belief that there should be legislation to permit employees ultimately to retain 50 percent of the face value of their policies. That in a sense, I believe, would be the minimum because ultimately, it would be our hope that there would be no reduction. Even in the

case of no reduction, the ratio then would be two to one and the Government would be paying twice the employee's contribution.

We would oppose the increase of any contribution that is presently made by the employee. As the witness who preceded me said, it would be retrogressive; it certainly would be. We believe that whatever is done in changing the present system should be progressive and forward looking and the reason we believe that this can and should be done is that there are precedents in private industry.

There are a number of large firms—I'm not prepared to name them but they are among the largest—which in a recent study by the Bureau of Labor Statistics of health insurance programs, it has been indicated there that many of these firms pay all of the costs of a basic life insurance policy, which is part of their insurance program. So that there is apparently ample basis in private industry for the Government effecting still further improvements in the program.

Thank you, Mr. Chairman, I believe that will conclude my statement.

Mr. DANIELS. Thank you, Mr. Voss. Mr. Cunningham; do you have any questions?

Mr. CUNNINGHAM. No.

Dr. DANIELS. Mr. Clevenger?

Mr. CLEVINGER. No, thank you.

Mr. DANIELS. Mr. Corbett?

Mr. CORBETT. No questions.

Mr. DANIELS. Mr. Hanley?

Mr. HANLEY. No questions.

(Mr. Voss' prepared statement follows:)

PREPARED STATEMENT OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

The bill, H.R. 6434, sponsored by the chairman of this subcommittee, Representative Daniels, merits the full support of Federal employees, and for this reason the American Federation of Government Employees urges a favorable report and expresses the hope that it will become law as speedily as practicable.

Federal employees should be grateful to the sponsor of this bill for recognizing the need for taking the action it requires and for his foresight in realizing that this action must be prompt.

Providing as it does for the protection and improvement of the Federal employees' group life insurance program, the bill would place that program on a sound actuarial basis at a crucial point in its existence. The program has been in operation 10 years. This period has been long enough to ascertain whatever action is needed to increase the soundness of the Government-wide plan and yet early enough to remedy its financial inadequacy at a time when it will not be necessary to offset an overly large deficit in the life insurance fund.

Federal employees should be keenly aware of the significance of a deficiency of assets needed to support the civil service retirement system. This deficiency as shown by a valuation as of June 30, 1963, is more than \$37 billion. Had action been taken with respect to that fund at the same point in its existence, or about 35 years ago, that is proposed by Mr. Daniels, the Federal Government would not still be faced with the problem of meeting the great cost of fully funding the retirement fund.

If the life insurance program is improved to the point of operating with a permanent, level premium, it will be of tremendous advantage to a system which offers one of the vital benefits that can attract and retain efficient employees of the Government. The life insurance fund in 1963 showed an excess of income over claims and expenses of \$414 million, which consisted of \$314 million in the employees life insurance fund in the keeping of the Treasury and \$100 million held as a contingency reserve by the insurer, the Metropolitan Life Insurance Co.

Whereas total liabilities amounted to slightly over \$5 billion, additional income needed to permit permanent financing at level biweekly costs per \$1,000

of life insurance is presently \$729 million. This extra amount would be needed to raise the present biweekly premium of 37.5 cents per \$1,000 of life insurance to the required level biweekly premium of 44.5 cents. It should be noted that such an increase will not and cannot, by reason of existing law, raise the employee contribution now limited to 25 cents.

It is of interest to note that if the life insurance system is amended to permit an increase of \$1,000 nonreducing insurance, it will raise the level biweekly cost to 47.5 cents per \$1,000 of life insurance, which would still maintain the Government contribution at less than that of employees. There should be legislation to permit employees ultimately to retain 50 percent of face value of their policies. This improvement would raise the total cost only to 55.9 cents. Should the law be amended to require no reduction at age 65 or after retirement, whichever occurs later, biweekly costs would be increased to 76.9 cents.

This third legislative change in the system, costing 76.9 cents, would raise the Government contribution to a ratio of 2 to 1 in relation to the employee contribution. The cost of this improvement still would not be excessive. Many large firms in private industry pay the entire cost of life insurance provided for their employees.

We believe, Mr. Chairman, that the enactment of this bill is essential to the soundness of the life insurance system. Action should be taken promptly to assure the financial integrity of the fund, as the chairman has indicated. We thank you, Mr. Chairman, for this opportunity to comment on this urgent proposal.

Mr. DANIELS. Our next witness is Mr. Nathan Wolkomir, president, National Federation of Federal Employees.

STATEMENT OF NATHAN WOLKOMIR, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. WOLKOMIR. Mr. Chairman and members of the committee, my name is Nathan Wolkomir and I am president of the National Federation of Federal Employees. To my right is Mr. Robert Smith, my legislative assistant.

For purposes of expediency and realizing that you are rushed in this particular committee, I am filing my full statement.

I would like to state we certainly appreciate and would like to take this opportunity to thank you, Mr. Chairman, for introducing the legislation and to the committee, our deep appreciation for such quick action.

The NFFE wants to go on record as endorsing H.R. 6434. We certainly feel that the repeal of two words "one-half" from subsection (b) of section 5 of the Federal Employees Group Life Insurance Act of 1954, as amended, by enactment of your bill will enable the Government to take a more equitable share of the cost of this program. Private industry has led the way too long by paying in many instances the total cost of this fringe benefit while the Federal Government has not even assumed an equal share of the cost for its employees.

There have been several questions asked about studies made in the industry. I would like to state that I believe the Department of Labor itself, last November, made such a study and had indications that over 50 percent of the employers in industry are paying the full share of such a program. Lagging behind private industry in fringe benefits when the Government should really be setting the pace, may be one of the reasons why President Johnson is finding it difficult to recruit and retain many top quality employees throughout the Government. By enactment of this bill, we feel that this will provide management with another tool to provide equitable competition with private industry for our capable employees.

We certainly feel that the Government should take the responsibility to pay its rightful and comparable share of at least 50 percent of this program.

Mr. Chairman, I know that you and members of the committee are conscious of the many other needed changes in the program such as adjusting the depreciation of this insurance upon retirement to provide a more equitable allowance for our retirees, their dependents and survivors. The NFFE believes that the insurance limit remaining after age 65 should be increased from the present 25 percent to 50 percent of the face value of the policy in force at the time of retirement. I believe you will be discussing this tomorrow.

Allowance to purchase additional units of insurance. Under the present law, those who make the largest salaries and who are in the best position to provide for their heirs when they die, are today entitled to buy the largest amounts of insurance. Those who earn the least amount of money and who are in the worst position to provide for their dear ones after death, can purchase only a small amount of insurance. By action of our last convention in Chicago in 1964, we adopted the following resolution to promote legislation to help correct this situation. I will merely read the "resolved" which is real short of this particular resolution. It states:

That the Federal Government employees life insurance program be broadened to permit the optional purchase in units of \$1,000, of additional insurance up to a maximum of 100 percent of presently authorized coverage. * * *

You have heard much about the modest sum of 7 cents that is needed biweekly to keep this program on a sound basis according to the Civil Service Commission report itself. Now, I am not going to burden you with mathematics that we have in the report itself. It is so stated in my full text. We certainly feel, however, and would like to suggest that a bill be introduced offering a complete package of benefits on top of the present program at a total cost of 80 cents with the employee to pay 40 cents, or an additional 15 cents over his present 25-cent contribution with the Government to assume its equal share of 40 cents. Additional units of \$1,000 nonreducing insurance at 3 cents should be offered to employees up to the maximum permitted by law. Further, I would like to suggest that legislation be written to give the employee the option to take the increased benefits. But that the Government be bound to at least a 50-50 sharing of the total cost of the program which the employee elects to carry for himself under the law as amended by H.R. 6434 and any other new legislation enacted to satisfy some of the crying needs of the Federal Employees Group Life Insurance Act called to the attention of this committee.

Thank you very much, Mr. Chairman and members of this committee for permitting me this opportunity, in behalf of the members of the National Federation of Federal Employees, to speak on this particular important bill.

We would like to add much, but I know time is of the essence.

Mr. DANIELS. Thank you, Mr. Wolkomir.

Mr. CUNNINGHAM, any questions?

Mr. CUNNINGHAM. I appreciate Mr. Wolkomir's statement. I have no questions.

Mr. WOLKOMIR. Thank you, sir.

Mr. DANIELS. Mr. Corbett?

Mr. CORBETT. No questions.

Mr. DANIELS. Mr. Hanley?

Mr. HANLEY. No questions.

Mr. DANIELS. Thank you for your appearance.

(Mr. Wolkomir's prepared statement follows:)

STATEMENT OF NATHAN T. WOLKOMIR, PRESIDENT, NATIONAL FEDERATION
OF FEDERAL EMPLOYEES

Mr. Chairman, members of the subcommittee, my name is Nathan T. Wolkomir, president of the National Federation of Federal Employees (NFFE). Our organization, as you know, was the first organization founded to represent employees throughout every agency of Government. I want to take this opportunity to thank you personally and the other members of this committee for several actions which demonstrate your high interest concerning the welfare of Federal employees:

1. Your prompt introduction of this bill, Mr. Chairman, to meet the needs presented by Chairman Macy of the Civil Service Commission in his letter of March 4, 1965, concerning the needed improvements in financing of the Federal employees group life insurance program.

2. The prompt calling of hearings by the chairman on this bill.

3. The chairman's presence at the hearings on another vital bill, H.R. 6249, before the House Post Office and Civil Service Subcommittee on Postal Operations, which is of vital concern to all Federal employees.

4. The presence of the members of this committee here this morning.

5. The prompt action and concern generally demonstrated this session by all members of the full Committee on Post Office and Civil Service of both the House and Senate.

The NFFE wants to go on record as endorsing H.R. 6434. In doing so, I want to make it crystal clear that the National Federation of Federal Employees appreciates the fact that you, Mr. Chairman, introduced this bill and that we are grateful for the deep interest you have shown in behalf of Federal employees.

Repeal of these two words "one-half" from subsection (b) of section 5 of the Federal Employees Group Life Insurance Act of 1954, as amended, by enactment of your bill will enable the Government to take a more equitable share of the cost of this program. Private industry has led the way too long by paying in many instances the total cost of this fringe benefit while the Federal Government has not even assumed an equal share of the cost with its employees. Lagging behind private industry in fringe benefits when the Government should really set the pace, may be one of the reasons President Johnson is finding it difficult to recruit and retain top-quality employees throughout the Government. By enactment of this bill we will give him one more tool toward equitable competition with private industry for capable employees if the Government will take responsibility to pay its rightful share of at least 50 percent of the cost of this program.

Mr. Chairman, I know you are conscious of the many other needed changes in this program such as the following:

1. Adjusting the depreciation of this insurance upon retirement to provide a more equitable allowance for our retirees, dependents and survivors. The NFFE believes that the insurance limit remaining after age 65 should be increased from the present 25 percent to at least 50 percent of the face value of the policy in force at the time of retirement.

2. Allowance to purchase additional units of insurance. Under the present law, those who make the largest salaries—and who are in the best position to provide for their heirs when they die—are entitled to buy the largest amount of insurance. Those who earn the least amount of money—and who are in the worst position to provide for their dear ones after their death—can purchase only a small amount of insurance. By action of our last convention in 1964, we adopted the following resolution to promote legislation to help correct this situation. The resolution reads in part as follows:

"Resolved, That the Federal Government employees life insurance program be broadened to permit the optional purchase in units of \$1,000, of additional insurance up to a maximum of 100 percent of presently authorized coverage * * *."

The modest sum of 7 cents is needed biweekly to keep this program on a sound basis according to the Civil Service Commission report. By simple arithmetic, another 11.4 cents (55.9 — 44.5) is needed to reduce the face value after retirement, 1 percent per month to 50 percent; or 32.4 cents (76.9 — 44.5) is needed if no reduction is scheduled after retirement; further, an additional 3 cents

(47.5 — 44.5) is needed for increases of \$1,000 nonreducing insurance. The cost then for this insurance with the additional 7 cents for actuarial soundness, an additional 32.4 cents for no reduction after retirement and a cost of 3 cents for an additional \$1,000 nonreducing insurance would be 42.4 cents for the additions and 37.5 cents for the present cost or a total of 79.9 cents.

The NFFE would like to suggest that a bill be introduced offering this complete package of benefits on top of the present program at a total cost of 80 cents with the employee to pay 40 cents, or an additional 15 cents over his present 25-cent contribution with the Government to assume its equal share of 40 cents. Additional units of \$1,000 nonreducing insurance at 3 cents should be offered to employees up to the maximum permitted by law. Further, I would suggest that legislation be written to give the employee the option to take the increased benefits. But that the Government be bound to at least a 50-50 sharing of the total cost of the program which the employee elects to carry for himself under the law as amended by H.R. 6434 and any other new legislation enacted to satisfy some of the crying needs of the Federal Employees Group Life Insurance Act called to the attention of this committee.

Thank you, Mr. Chairman, and members of this committee, for permitting me this opportunity to appear in behalf of the members of NFFE on this important bill.

Mr. DANIELS. Our next witness is Mr. Sidney Goodman, president, National Postal Union.

STATEMENT OF DAVID SILVERGLEID, SECRETARY, NATIONAL POSTAL UNION

Mr. SILVERGLEID. Mr. Chairman and members of the subcommittee, my name is David Silvergleid. Mr. Goodman is sojourning in the sunny atmosphere, I hope, of Puerto Rico at the present time, so he couldn't be here today.

I would like to submit our statement. Unfortunately, it becomes almost necessary to be repetitive, but I would like to say just a few words.

I was rather surprised to hear Mr. Macy express a certain amount of doubt as to the comparative payments made in private industry and by Government when the question was posed by Congressman Corbett and others because it is our understanding that a survey was very recently completed by the Bureau of Labor Statistics.

This survey on fringe benefits has been made available to the Cabinet Committee that is going to study the whole retirement setup. I am inclined to believe that the results of the survey would indicate that private industry has done a good deal more for its employees through union contracts in the health and life insurance field than the Government is doing at the present time.

I might say that the National Postal Union negotiated a contract only this month with the Office Employees International Union and we have arranged to pick up the entire tab for our 60-odd employees, not only for life insurance premiums, but for health insurance premiums as well.

Our program is that the Government ultimately should pay the entire premium for life insurance policies. We believe that the lower paid employee, who needs it most, should be given a minimum \$10,000 policy. We recognize the justification, of course, of greater high policies for the people earning more money, but we think the minimum policies should be \$10,000 and we believe that ultimately, after a man retires, there should be no deduction in the face value of the policy.

Mr. Chairman, we strongly oppose any attempt by the administration, through the Commission's proposal, to compel further payments of premiums by the employees. We sincerely appreciate the chairman's——

Mr. DANIELS. You mean an increase?

Mr. SILVERGLEID. An increase in employee contribution. We sincerely appreciate the chairman's interest in this matter and the evident interest of the members of the subcommittee.

We are thankful for the opportunity to appear here today to express our opinion and we are hopeful for a very early report, even though the Commission has indicated that they will take no action on it until after the Cabinet-level Committee reports.

Mr. DANIELS. Mr. Silvergleid, I understand that the Bureau of Labor Statistics has made a study, but it is not exactly complete, that it desires further time to document its findings. And so, while it may have made that report available to the President's Committee, this committee is going to endeavor to get a copy of it so we may have the opportunity of studying it as well.

Mr. SILVERGLEID. I would like also, Mr. Chairman, to say I believe the AFL-CIO has a fund of information on that score and if it were possible to obtain that, I would like to submit it for the record for the committee's edification as well.

Mr. DANIELS. The committee will attempt to get it.

Mr. SILVERGLEID. Thank you.

Mr. DANIELS. Mr. Corbett?

Mr. CORBETT. No questions.

Mr. DANIELS. Mr. Clevenger?

Mr. CLEVINGER. No questions.

Mr. DANIELS. Mr. Hanley?

Mr. HANLEY. No questions.

Mr. DANIELS. Thank you very much.

Mr. SILVERGLEID. Thank you.

(Mr. Goodman's prepared statement follows:)

STATEMENT OF SIDNEY A. GOODMAN, PRESIDENT, NATIONAL POSTAL UNION

Mr. Chairman, and members of the subcommittee, my name is Sidney A. Goodman, and I am privileged to serve as president of National Postal Union, located at 509 14th Street NW., Washington, D.C. I am accompanied here by our secretary-treasurer, David Silvergleid. We represent over 53,000 postal employees, organized in excess of 500 local affiliates in 50 States, including Alaska, Hawaii, Puerto Rico, and the District of Columbia.

We are grateful, Mr. Chairman and members of this subcommittee, for these hearings on H.R. 6434, a bill to strengthen the financial condition of the employees' life insurance fund, created by the Federal Employees' Group Life Insurance Act of 1954. We support the principles of this legislation, and are appreciative of the opportunity to express our views before your subcommittee.

National Postal Union leaders are mandated to seek legislation providing a group life insurance policy for all postal employees, in the amount of \$10,000, except for those employees whose salaries exceed that figure. For such employees, we advocate a policy equal to their salary plus \$1,000.

Our members also feel there should be no decrease in the face value of the policy after retirement, and that the Government should defray the full premium cost.

Life insurance is vitally important to persons in all walks of life, and particularly so to salaried workers in the lower income brackets. Too frequently it is the only means by which they may provide a small estate at the time of their death or even provide the wherewithal to absorb the expenses of a funeral.

The U.S. Civil Service Commission has frequently stated that Government group life insurance is intended to supplement private insurance and not replace it. The Commission does not speak for the vast majority of postal employees, most of whom cannot afford payment for private insurance policies.

Providing life insurance coverage for the protection of workers' families is now an accepted practice in private industry. It is one of the most important fringe benefits a worker can receive. Since the passage of the Federal Employees' Group Life Insurance Act of 1954 it has become more and more a common practice in private industry for employers to assume the entire cost of group life insurance programs for their employees.

We believe, and have long advocated, that the Federal Government should set the pace for private industry in labor-management relationships, pay standards, and fringe benefits. Regrettably, the Federal Government is still trailing in numerous areas, particularly in the assumption of full costs for group life and health insurance.

We recognize the cost element that would be involved in full payment of life insurance premiums by the Government. We appreciate the chairman's efforts to apportion premium costs on a more equitable and reasonable basis. We support the principles of H.R. 6434, although we believe it should go even further in providing for full payment of premiums by the Government.

In conclusion, we sincerely appreciate the interest shown by the chairman and the members of this subcommittee in scheduling early hearings on this legislation. We are grateful for this opportunity to express our views.

Mr. DANIELS. Our next witness is Mr. Daniel Jaspán, legislative representative, National Association of Postal Supervisors.

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

Mr. JASPÁN. Mr. Chairman, with your request, I will try to keep my statement as short as possible and submit it for the record.

First, I want to tell you how grateful we are that you introduced this legislation and called such speedy hearings. That is very important to our members.

Also, we are aware of the fact that your bill does permit the Government to contribute up to 50 percent of the cost, which is very important. We have had resolutions asking that the Government assume the total cost of life insurance, but we realize that won't be done immediately.

In answer to a couple of questions about figures on industry, there is a pamphlet issued by the Bureau of Labor Statistics. It was a study of the Bureau of Labor Statistics and the Department of Labor issued by the Government Printing Office, Bulletin No. 1330, which is called "A Digest of 100 Selected Health and Insurance Plans Under Collective Bargaining, Winter 1961-62." I inquired whether there was a later study, but this is the latest one available. This goes back to 1961 and 1962. I know there have been a lot of changes since then, but in this digest, we find that many industries pay the complete life insurance and health insurance benefits.

Mr. DANIELS. How many industries were involved?

Mr. JASPÁN. One hundred industries.

Mr. DANIELS. Can you tell us exactly or approximately how many of that 100 industries paid the full amount of the premium?

Mr. JASPÁN. I would estimate that about 40 percent at that time, in 1961, and I believe all of them paid about half.

Mr. DANIELS. All of them paid half?

Mr. JASPÁN. Very few paid less than half and we find that some of them that paid all are American Sugar Refining Co., Armstrong Cork

Co., Swift & Co., Armour & Co. Campbell Soup Co., Liggett & Myers Tobacco Co., Distillery Industry, Clothing Industry, Continental Can, Inc., Bethlehem Steel Co., Owens-Illinois Glass Co., the Firestone Tire & Rubber Co., and many others, so it is a pretty good cross-section.

All of these companies paid not only the full life insurance, but also the full health insurance and there were quite a few others besides those.

Some of the companies, such as Philip Morris, permitted the employees to have double the amount of insurance as their earnings. In other words, a \$5,000-year employee could have \$10,000 worth of insurance and the company paid the full cost. So we are not asking something that is far out since this booklet of 5 years ago shows that was being done even then.

We have some suggested proposals, Mr. Chairman, that we wish the committee would look into. One of them, of course, is to have the Government assume a larger cost, more than just the additional 7 cents, but up to 50 percent as it could do under your bill.

Another one is to have an increase in the total amount of insurance that the employee can purchase of double their earnings. It is very important to our members to slow the decrease in face value at the time of retirement or age 65, whichever comes later from the present 2 percent per month and 25 percent of face value to 1 percent per month and 50 percent of face value.

We are asking also, Mr. Chairman, and members of the committee, that another look be taken at the law itself which hasn't changed basically since 1954, particularly the dismemberment section. Now you can only have benefits if you lose one arm or one hand or two hands or two legs, some kind of combination, but we are also asking that some consideration be given to losing just members of the hand, fingers, for instance, say 5 percent for loss of each finger. Also, instead of being totally blind, say 80 percent blind, there would be payments for that. Those benefits haven't been changed at all since the law was first begun and other insurance companies have liberalized such contracts.

Mr. Chairman, that is basically what I had to testify on and I hope that the committee will report the bill favorably and also will give a look at our suggested changes.

Mr. DANIELS. Mr. Jaskan, we appreciate your coming here to give us the benefit of your views which are always welcome.

Mr. JASKAN. Thank you, Mr. Chairman.

Mr. DANIELS. Members of the committee?

Mr. CLEVENGER. No, thank you.

Mr. CORBETT. No questions.

Mr. DANIELS. Thank you.

(Mr. Jaskan's prepared statement follows:)

PREPARED STATEMENT OF DANIEL JASKAN, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

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

We are grateful to Congressman Daniels for introducing H.R. 6434 and for scheduling prompt hearings on the bill. Naturally, all of us are concerned with the solvency of the employees' life insurance fund. We have been told for several years that the point would be reached in the not too distant future when the fund would lack the money to pay the claims. This bill is the first concrete effort to ward off that day of reckoning. H.R. 6434 authorizing payments by the Government up to 50 percent of the total cost of the life insurance premiums is a stride forward in that direction.

Our association has passed resolutions in our recent national conventions asking that the government assume the total cost of the premiums. These resolutions were not passed with the desire to acquire something for nothing but were based on the trend in private industry to assume a larger share of the cost of premiums and in a growing number of cases, to assume the total cost.

The Digest of One Hundred Selected Health and Insurance Plans Under Collective Bargaining, winter 1961-62; based on the findings of the U.S. Department of Labor and the Bureau of Labor Statistics, was issued by the Government Printing Office as Bulletin No. 1330. This is the most recent study available. We are certain that many changes have been made in the 3 years since the publication of this bulletin, and that all of the changes were more liberal than the contracts signed prior to the winter of 1961-62.

In this pamphlet we find a considerable number of companies assuming the full cost of the life insurance, not only for active workers but also continuing the payments after the employees have retired. Some of the companies listed in the pamphlet which pay the full cost are: American Sugar Refining Co., Armstrong Cork Co., Swift & Co., Armour & Co., Campbell Soup Co., Liggett & Myers Tobacco Co., Distillery Industry, Clothing Industry, Continental Can, Inc., Bethlehem Steel Co., Owens-Illinois Glass Co., the Firestone Tire & Rubber Co., and many others. This merely shows a cross section of those industries which pay the full cost, not only the life insurance premiums but also the health insurance premiums.

It is interesting to note also that some of these companies, such as Philip Morris, Inc., pay the full cost for life insurance double the amount of the annual earnings. Many other companies provide free life insurance for the employees in amount ranging from their annual salary to twice that figure. As you know, the combined premium of the employee and the Government covers only up to the next even \$1,000 of the employees' earnings.

While we are anxious to have the fund made solvent as soon as possible, we feel that this is an opportunity for this subcommittee to take a good look at the life insurance program, which has not been changed since it was begun in 1954, and update the whole program more in line with private industry. We ask specifically that the committee study the following proposals:

1. Have the Government assume a large proportion of the total cost of the life insurance premiums. Although our objective is that the Government pay 100 percent of the cost, we feel the time is now ripe for the Government to assume at least 50 percent of the cost with this amount being increased over the years until the 100-percent goal is reached.

2. Increase the total amount of insurance that the employee can purchase. It is our belief that this amount should be do double the salary earned by the employee.

3. Slow the decrease in face value at the time of retirement from the present 2 percent for month and 25 percent of face value to 1 percent per month and 50 percent of face value.

4. Liberalize the "dismemberment" section of the group life insurance plan to provide the payment of 5 percent of the face value for the loss of each finger, toe or thumb, but not to exceed 50 percent of the employee's salary. We also suggest that an 80 percent loss of sight shall be considered as a total permanent loss.

We hope that this subcommittee will take the time to review the whole life insurance program which, as we mentioned before, has not been changed since its inception in 1954. Since that time, there have been many liberalizations made by industry. It is our opinion that the Government should not always try to catch up with industry but should take the lead whenever possible.

We appreciate the opportunity to appear before this committee and present our views. We hope for early, favorable action on H.R. 6434 and we appeal to this committee to study the proposals made in our testimony.

Mr. DANIELS. Mr. Floyd Huffman, president, National Rural Letter Carriers Association, is our next witness.

STATEMENT OF FLOYD HUFFMAN, PRESIDENT, NATIONAL RURAL LETTER CARRIERS ASSOCIATION

Mr. HUFFMAN. Mr. Chairman, in the interest of time, I will submit my statement for the record.

I want to commend you on behalf of our organization for taking up this needed legislation early in this session of Congress. We wholeheartedly support the proper funding so that this needed insurance fund will be financially and actuarially sound.

We would like to call to your attention two amendments that we would propose be made to the bill. One is that the reduction, instead of as present, 2 percent a month, 25-percent minimum be 1 percent a month to a 50-percent minimum.

Also the other amendment is that an additional unit of \$1,000 insurance be added that will not be reduced after retirement or age 65, whichever is later.

That we might bring to your attention what these amendments would cost, we have based some figures on what the majority of our membership or the majority of the Government employees in the Post Office Department would cost, having a \$6,000 salary or \$6,000 insurance. For the amendment of 1-percent reduction to a 50-percent minimum of the insurance after retirement, it would cost the employee, if he shares 50 percent, which we recommend, \$4.60 additional a year. It would cost the Government, in addition to the funding, which is a part of this \$10.92, it would cost them \$24.10 a year. That \$24.10 includes the \$10.92, which is the 7 cents that your bill recommends for proper funding.

The additional \$1,000 insurance, which would increase it from \$6,000 to \$7,000, that would not be reduced after retirement, if the employee paid 50 percent of that, and this also includes the 1 percent per month reduction to the 50-percent minimum, would be 10 additional dollars or \$14.60 additional cost to the employee for both of these amendments. And to the Government, for the proper funding of 7 cents, with the 1-percent reduction per month of 50 percent floor and the \$1,000 additional insurance that does not reduce, it would be a cost of \$34.10, making the Government paying half of the premium and the employee paying half of the premium with the proper funding for these two amendments or a total cost annually of \$48.70.

I want to again commend the committee for your hearing and I trust you will report the bill favorably, and that you will study the testimony we have submitted in the interest of these two amendments being made.

Mr. DANIELS. Mr. Huffman, do you have any idea of what your proposed amendments would cost the Government as a whole?

Mr. HUFFMAN. No, I don't. I only figured it on the average insurance policy at this time of \$6,000. Of course, I realize that this insurance program covers many other employees with a larger insurance than \$6,000 and some smaller. This is the average of the postal employees and average of our membership.

Mr. DANIELS. Thank you very much for your testimony. Mr. Corbett?

Mr. CORBETT. No questions.

Mr. DANIELS. Mr. Clevenger?

Mr. CLEVINGER. Mr. Huffman, may I ask this question, taking your \$48 figure, which you say is the cost of your package, if the Government were to give a \$50 figure, taken out of the air, for a pay increase, do you prefer to have it applied on that insurance or prefer to have it in dollars?

Mr. HUFFMAN. I don't know, without giving it study, whether I could answer a question like that at this time. I do feel though that generally speaking, employees are more interested in a fringe benefit that will remain rather than a salary increase that is soon lost by inflation.

Mr. CLEVINGER. Thank you.

Mr. HANLEY. No questions.

Mr. DANIELS. Thank you very much.

(Mr. Huffman's prepared statement follows:)

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

Mr. Chairman, members of the subcommittee, my name is Floyd E. Huffman. I am president of the National Rural Letter Carriers' Association, an organization which exclusively represents regular, substitute, and retired rural carriers. Our membership is currently over 42,000 and includes more than 90 percent of all regular rural carriers. I am accompanied by John W. Emeigh, secretary of our association.

We are pleased to appear before this committee to testify on H.R. 6434 and do present other recommendations relative to the Federal employees' group life insurance program.

The U.S. Civil Service Commission report on the actuarial evaluation and financial condition of the life insurance program, which discloses that the present level of premiums is inadequate to meet the cost of the current level of insurance coverage provided, does cause concern. We commend the chairman of this subcommittee, Mr. Daniels, for his prompt action in introducing H.R. 6434, which would correct this problem and assure continued financial integrity of the life insurance fund, and for the early scheduling of hearings on this proposed legislation.

On the basis of the actuarial reports of the Civil Service Commission, it is our understanding that enactment of the bill under consideration, as introduced, would result in increasing the Government's contribution from the present 12½ cents per thousand per biweekly pay period to 19½ cents per pay period, and that the present contribution of 25 cents per pay period by the employee would remain unchanged.

We strongly endorse the intent and purpose of H.R. 6434 and urge this committee to promptly report a bill granting legislative authority and direction to assure that the fund may be kept actuarially sound in line with its liabilities.

In addition to this important strengthening of the life insurance program, we would also strongly recommend amendments to the bill to provide certain liberalizations which are greatly desired and which we believe are merited.

We recognize that the Federal group life insurance program is an important fringe benefit of employment. The offering of this program in 1954 was indeed a progressive step forward. It did offer an important benefit to Federal employees and was in keeping with well-established employment practices throughout private industry.

It provides valuable insurance coverage during the period of active service. It falls short, however, of providing a desirable level of insurance coverage after age 65 in retirement.

Presently the amount of insurance is reduced 2 percent each month after retirement or after age 65, whichever is later, until it is reduced to 25 percent of the amount in effect at the time of retirement. Employees desire and have need for a better insurance coverage particularly in retirement. This organiza-

tion believes it is practical to grant better coverage under the Federal program and that it is feasible to do so without creating any undue financial burden to either the employee or the Government.

We would strongly recommend that consideration be given to two amendments which would greatly improve the present program:

(1) An amendment to change the reduction after retirement or age 65, whichever is later, to 1 percent per month with reduction of the amount of insurance to a minimum of 50 percent; and

(2) An amendment to provide an additional unit of \$1,000 in life insurance which would not be subject to reduction.

The Government is contributing one-third of the premium for the present coverage. Private industry is often more liberal and generally assumes a larger share of the financial burden to provide the fringe benefit of life insurance for their employees. Many firms pay the complete premium on the coverage provided and a large number match the employee contribution. We believe the U.S. Government should be able to meet the standard of coverage being provided in the private industry and business community.

We recognize that any liberalization results in additional cost. Speaking for the rural carriers, we know that the vast majority—if indeed not all—would be pleased to assume a reasonable share of the additional cost of the improvements which would be granted by the amendments we have recommended.

We feel that the U.S. Government, in the role of a model employer, should assume nothing less than a 50-percent share of the costs of providing life insurance protection. Improvements in this important fringe benefit area of employment, with the Government sharing equally the costs of the valuable insurance coverage and protection afforded, would do a great deal to enhance Government employment status.

We strongly urge the committee to seriously consider our recommendations and trust that amendments liberalizing the Federal Group Life Insurance Act may be made a part of H.R. 6434, and that the bill may win the approval of this committee and be promptly reported.

Mr. DANIELS. Our next witness is Mr. John McCart, operations director, Government Employees' Council, AFL-CIO.

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

Mr. McCART. Mr. Chairman, we have presented to the subcommittee our prepared statement and with your permission, I would like to have that statement inserted in the record and proceed extemporaneously.

Mr. DANIELS. I will say at this point in the record that all of the statements of the previous witnesses shall be incorporated in the record immediately following their question and answer period.

Mr. McCART. Mr. Chairman, the Government Employees' Council represents 30 AFL-CIO unions with members in the postal, classified, and wage board services of the Federal Government.

We appear today to endorse the enactment of H.R. 6434. I want to express our appreciation to you for introducing this legislation and to you and your colleagues for arranging these hearings at this early point.

Mr. Chairman, as you know, many of us and many of you have been deeply concerned about the status of the civil service retirement fund over a long number of years. If there is any lesson to be learned from the experience with the civil service retirement fund to date, it is that we meet head on and meet early any problem of actuarial deficit.

As you know, since 1920, there has been a problem with the financing of the civil service retirement fund because of the lack of appropriations that have been made to it to meet the Government's share.

Now I bring this to your attention, not to discuss retirement, but simply to point up the necessity for acting on this legislation and acting on it soon.

Mr. CORBETT. Mr. Chairman, will the gentleman yield at this point? Right there, I was amazed, and as you know, I questioned the Chairman of the Civil Service Commission as to why they weren't even going to have a report from the Cabinet Committee until December of 1965. Now the Congress is always getting the blame for not meeting its responsibilities. Would the gentleman say that we ought to act right now and meet this problem? It has only been a couple of weeks since the actuarials have said that this fund was in danger. Shouldn't we meet it right away and not wait for the Commission to act? At least we can give them the authority to act and if they don't do it, it is their fault.

Mr. MCCART. I certainly concur with your view, Mr. Corbett, that early action is necessary in this legislation because, otherwise, the tendency is going to be to put it off for this reason, to put it off for that reason and in a couple of years, we may very well find ourselves in a situation somewhat similar to what we have with retirement.

I was somewhat disheartened, Mr. Chairman, to hear Mr. Macy suggest that the employees should finance some portion of the additional 7 cents required to place this fund on an actuarial sound basis. I am not going to belabor the point, but I simply bring to your attention that in November 1964, the Bureau of Labor Statistics was reported to have completed a study of life insurance programs and fringe benefits and that shows that in private firms, 58 percent of plant workers and 55 percent of office employees were receiving life insurance benefits without cost. I suppose that this may well have become the study to which you have alluded earlier.

Mr. DANIELS. Is that comment in your statement?

Mr. MCCART. Yes, sir; it is on page 2.

If this legislation is enacted, it will mean that the 7 cents necessary to meet the deficit will be available and it will also mean that an additional 5 cents will be available up to the Government meeting the payments of the employees, so that they will be equal.

I am not going to tell you in detail the suggestions that we have offered in our testimony for improving the retirement program. I am simply going to suggest that with that additional 5 cents that will be available, that the subcommittee consider these other proposals.

I think the important thing that I want to stress is that it is necessary that action be taken now on this legislation which you have introduced so that this problem can be met at once.

Thank you, Mr. Chairman.

Mr. DANIELS. We propose, Mr. McCart, following the hearing, to meet in executive session to take up this bill.

I want to thank you for coming here and giving us the benefit of your views.

Mr. Corbett?

Mr. CORBETT. No questions.

Mr. DANIELS. Mr. Clevenger?

Mr. CLEVINGER. No questions.

Mr. DANIELS. Mr. Hanley?

Mr. HANLEY. No questions.

Mr. DANIELS. Thank you.

(Mr. McCart's prepared statement follows:)

PREPARED STATEMENT OF JOHN A. MCCART, OPERATIONS DIRECTOR, GOVERNMENT
EMPLOYEES' COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee. The 30 AFL-CIO unions affiliated with the council with members in the classified, postal, and wage board services of the Federal Government recommend favorable action by the subcommittee on H.R. 6434.

In supplying the House Committee on Post Office and Civil Service with the actuarial analysis of the Federal employees life insurance fund on March 4, 1965, Civil Service Commission Chairman John W. Macy, Jr., stated that if present mortality experience continues, current premium rates will not suffice to maintain the fund on a sound financial basis. Assuming that the present insurance program remains unchanged, the Commission states that an additional 7 cents in biweekly premiums will be required to adequately finance the system.

H.R. 6434 meets this problem by authorizing an increased contribution by the Federal Government not to exceed the amount now withheld from the employee. At present, the total premium is 37½ cents biweekly, with the employee providing 25 cents and the Government supplying 12½ cents. Thus, the employee contribution defrays two-thirds of the total cost, while the Government contributed one-third.

The bill remedies the actuarial deficit by permitting the Federal Government to increase its share of the premium by 7 cents to a total of 19½ cents. Even with this adjustment, the employer's share will be less than the employee's.

However, if we are to learn anything from our experience with funding the civil service retirement program, it is that action must be taken as soon as a deficit becomes apparent in order to avoid the need for constantly increasing outlays and a threat to the soundness of the entire program. In this respect, Mr. Chairman, you are to be commended for immediately recognizing the problem and introducing remedial legislation. To avoid a similar situation in the life insurance system, the legislation before you merits favorable action.

There is another aspect of H.R. 6434, which makes it desirable to employees. The bill anticipates other problems in the near future by authorizing an increase beyond the 7 cents now needed, but not to exceed the amount currently withheld from the employee.

In November 1964, the Bureau of Labor Statistics was reported to have completed a study of fringe benefits available to private industry and Federal workers. The Labor Department research revealed that in private firms, 58 percent of plantworkers and 55 percent of office employees receive life insurance coverage free of charge.

This leads us to urge that the subcommittee give early consideration to other improvements in the life insurance program.

Under the present law, the face value of life insurance of an employee who retires or attains age 65 declines by 2 percent each month until it reaches 25 percent of the original value. We feel this sum is inadequate to meet the necessary final expenses of many former Federal workers and leaves little or nothing as an estate. A number of Members of the House, including distinguished members of the Committee on Post Office and Civil Service have introduced bills fixing the percentage reduction at 1 percent monthly until the policy reaches 50 percent of the value prior to retirement. In our view, approval of legislation, such as H.R. 99 and H.R. 3150, will provide greater equity to these individuals.

In connection with this improvement in the insurance system we believe the subcommittee will desire to consider an amendment fixing a minimum face value of \$5,000 on the policies of retired employees or those over age 65. Adoption of this recommendation and the changes included in H.R. 99 and H.R. 3150 will result in halting the present decline in insurance at 50 percent, with minimum coverage of \$5,000. By any standard, an assured income of \$5,000 to the estate of a deceased retired Federal worker cannot be considered affluent. The council recommends that the subcommittee consider this addition in connection with the bills to eliminate the drastic reduction now in effect for such policies.

Another proposal, offered by Representative James H. Morrison, provides additional units of life insurance for Federal workers. H.R. 98 extends this coverage by \$1,000 to \$5,000, depending upon the salary range of the individual, which would not be subject to a reduced face value at the time of the employee's retirement. The purpose of this legislation is to increase the coverage available to employees in the light of economic changes during the 10 years the life in-

surance program has been in force. Family protection available in 1954 would not normally be adequate today. H.R. 98 updates the existing policies so that the survivors of the covered employee will be able to meet ordinary and necessary expenses.

The council suggests that the subcommittee give sympathetic consideration to this bill.

There are two other measures we feel deserve attention. Introduced by you, Mr. Chairman, and your colleague, Representative Robert Corbett, H.R. 6160 and H.R. 2188, increase the maximum amount from \$20,000 to \$30,000 of insurance available. Enactment of this proposal is desirable in the light of salary increases which have occurred since the original insurance plan was enacted.

H.R. 6463 will not close this gap between private industry practice and the Federal Government plan noted above. But it will be a step toward achieving parity between the Federal employer and employees in this field and will certainly correct the present imbalance in the life insurance fund. Hence, the bill is entirely reasonable, and we urge its approval.

To you and your colleagues, we express our appreciation for arranging this hearing so that prompt action can be taken to solve a potentially serious problem.

Mr. DANIELS. Our next witness is Mr. Ross A. Messer, legislative representative, National Association of Post Office and General Services Maintenance Employees.

Mr. Messer.

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

Mr. MESSER. Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to appear before you today.

I am Ross A. Messer, legislative representative of the National Association of Post Office and General Services Maintenance Employees, with headquarters at 724 9th Street NW., Washington, D.C.

We are the national exclusive bargaining representative with the Post Office Department for the 17,000 postal field service maintenance employees, under the terms of our national agreement with the Post Office Department.

This association has locals in the 50 States, Puerto Rico, Virgin Islands, and the District of Columbia.

H.R. 6434 is a bill to strengthen the financial condition of the employees' life insurance fund, created by the Federal Employees Group Life Insurance Act of 1954, a proposal that this association wholeheartedly endorses.

When it was announced a short time ago that the Federal employees life insurance fund was falling short 7 cents per \$1,000 of the amount necessary to maintain the life insurance fund at a fully funded actuarial level, the chairman of this committee immediately introduced H.R. 6434 to remedy this situation.

Chairman Daniels is to be commended for his speedy action in introducing this proposal and scheduling hearings thereon.

In order that the employees may be fully protected and the fund sufficiently solvent to pay any and all claims, it is our belief that it is necessary for the Government's contribution to be increased to the extent necessary to meet this requirement.

At the present time, the employee's premium rate of 25 cents per \$1,000 biweekly and the Government's share of 12½ cents per \$1,000 biweekly, do not meet the requirements to maintain a fully funded

actuarially sound insurance fund. At present, the Government is paying one-third the cost.

It is our belief that the funds necessary to keep the fund actuarially sound should be paid by the Government. The provisions of H.R. 6434 provide for the Government to pay the additional 7 cents needed, or such an amount as may be needed, so long as it does not exceed the amount withheld from the employees.

The life insurance fund has been in operation now for approximately 10 years. It was our belief in the beginning that the Government should pay 50 percent of the cost. As the fund is not now actuarially sound, the increase in the Government's contribution will still leave the Government paying less than 50 percent of the total cost.

It is our belief that legislation to make the fund actuarially sound is of major importance to all Federal employees and should be approved at the earliest possible date.

I wish to again thank you, Mr. Chairman, and the members of the subcommittee, for the opportunity to appear before you today.

Mr. DANIELS. Thank you, Mr. Messer.

The next witness is Mr. Patrick J. Nilan, legislative director, United Federation of Postal Clerks.

Mr. Nilan.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS**

Mr. NILAN. Mr. Chairman and members of the subcommittee, for the record, I am Patrick J. Nilan, national legislative director of the United Federation of Postal Clerks, AFL-CIO, with headquarters at 817 14th Street NW., Washington, D.C.

Speaking in behalf of the Nation's 245,000 postal clerks, for whom we are the exclusive national representative under the Federal labor-management program, I wish to express our appreciation for the opportunity to record these views in support of H.R. 6434, sponsored by Mr. Daniels.

Every Government employee and his family whose insurance protection stems from the Government's group life insurance program owes a debt of gratitude to this subcommittee and its distinguished chairman for the prompt efforts being initiated here today to preserve the financial integrity of that program.

Too often in the past congressional inaction has threatened seriously to compromise the financial structure of other trust funds designed to provide employee benefits and financed in part by the employees' own contributions.

Every member of this body is familiar, I am sure, with the most recent findings of the Board of Actuaries of the Civil Service Retirement System who have predicted exhaustion of that multibillion dollar account by 1990 or sooner unless a system of direct annual appropriations or increased annual employment agency contributions are effected immediately.

And now we have warning of a similar clear and present danger from the Civil Service Commission with respect to the integrity of our group life insurance program based on projected actuarial evaluations.

The speed with which this subcommittee has reacted to the warning and the public statements of its chairman, Mr. Daniels, that history must not be permitted to repeat itself in this instance, are examples of the highest form of alert public service.

History and the actuarial evidence already available leave no room for doubt that H.R. 6434 ought to be considered "must" legislation in this session of Congress.

The United Federation of Postal Clerks supports this bill and urges its speedy approval.

In one sense, however, this bill is an emergency measure—a sort of finger in the fiscal dike. It authorizes only whatever increases are deemed necessary in the Government's per capita share of the cost up to but not beyond the same amount contributed by the employees themselves. At present the employee pays twice as much as the Government for each \$1,000 worth of protection—and the maximum amount of protection is itself limited to the next higher \$1,000 multiple of an employee's annual income.

It has long been our view that the whole structure of the group life insurance program sooner or later ought to be revised to coincide with the trends of the times and the real needs of Federal employees.

For example, on present actuarial evaluations, it is estimated that a biweekly 7-cent increase per \$1,000 of insurance will close the existing deficit gap. But this increase in the Government's share will still be 5½ cents less per \$1,000 of insurance than the employees themselves contribute in premiums.

This is an imbalance that runs counter to every modern trend.

Just a few weeks ago the Health Insurance Institute released its latest cost survey on the financing of group health insurance programs which shows that today employers in private industry pay the full cost of such insurance for 47.9 percent of covered employees—an increase of more than 2 percent over the previous year.

Perhaps this is not the place to offer detailed testimony on this score. But it is of significance, we believe, to note that the larger the size of the groups covered the greater is the tendency for full payment by the employer.

Again this is, perhaps, neither the time nor the place to talk about boosting the maximum limits on the amount of group life insurance available to Federal employees. Yet this, too, is a trend which foreshadows the need for corrective action in the not-too-distant future.

Our organization has views on these and a number of other revisions in the financing and structure of this vitally important fringe benefit which we will be happy to present at the appropriate time.

We believe, however, that it is not too early to start thinking about them as logical and organic extensions of the emergency revisions embodied in the bill before you which we support as an immediate first step toward the maintenance of the group life insurance fund's basic solvency.

Thank you, Mr. Chairman, for this opportunity to present our views.
Mr. DANIELS. Thank you, Mr. Nilan.

The next witness is Mr. Harold McAvoy, national president of the National Association of Post Office Mail Handlers, Watchmen, Messengers & Group Leaders.

Mr. McAvoy.

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

Mr. McAVOY. Mr. Chairman and members of the subcommittee, for the record my name is Harold McAvoy. I am national president of the Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders. We are part of the American Federation of Labor-Congress of Industrial Organizations and the Government Employees' Council. Our national offices are located in the Warner Building, 13th and E Streets NW., Washington, D.C.

Before I go on, I want to express my gratitude to Congressman Daniels for introducing H.R. 6434—a bill, if enacted into law would strengthen the financial condition of the employees life insurance fund. At present the total premium is 37½ cents biweekly with the employee providing 25 cents and the Government supplying 12½ cents. At the present time the employee contribution just about defrays two-thirds of the total cost. The Government contributes one-third. H.R. 6434 and related bills would be a big help to the actuarial deficit by allowing the Federal Government to increase its share of the premium by 7 cents, to a total of 19½ cents. This increase will be a big step in the right direction. Our past experience with funding of our retirement fund is a good example why a definite course must be taken to correct any threat to our insurance program.

Our consultant informs your writer that the Bureau of Labor Statistics has completed a study on fringe benefits that employees enjoy in outside industry—free of charge. This should give all involved, for the future, the need for steady improvement.

As we all are aware at this time when an employee retires or attains age 65, the value of his life insurance coverage declines by 2 percent each month until the coverage reaches 25 percent of the original value. It is hard to understand how any family can cover the expenses of our former postal employees and yet retain anything for the family.

Bills such as H.R. 99 and H.R. 3150 have our national organization's full approval. Both of these bills would halt the decline at 50 percent of the full value.

An amendment, which our organization sincerely believes, you and the members of your committee should consider is that a minimum of \$5,000 should be the face value on policies of retired employees on those over 65 years of age. This would halt the decline at 50 percent with minimum coverage of \$5,000.

Congressman James H. Morrison has a proposal that would provide additional units of life insurance. This bill is H.R. 98. The bill would update the present policies so that members of the family would be able to meet the necessary expenses. Our life insurance program has been in effect about 10 years. Surely, we all know that many changes have taken place in the 10 years of the life insurance program: this would include the big cost-of-living change.

In concluding this statement, Mr. Chairman, I would like to thank you and the committee members for your prompt action on the serious problem that is now confronting all postal employees.

Mr. DANIELS. Thank you, Mr. McAvoy.

The next witness is Mr. Everett G. Gibson, president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO.

Mr. Gibson.

STATEMENT OF EVERETT G. GIBSON, PRESIDENT, NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EMPLOYEES, AFL-CIO

Mr. GIBSON. Mr. Chairman and members of the subcommittee, my name is Everett G. Gibson and I am the president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO, with headquarters at 412 Fifth Street NW., Washington, D.C.

We have national exclusive recognition under Executive Order 10988 and are the sole bargaining representatives for all motor vehicle service employees under the terms of the national agreement with the Post Office Department.

H.R. 6434, sponsored by the chairman of this subcommittee, Mr. Daniels, merits the full support of all employees working for the Government and we endorse H.R. 6434 and sincerely hope that this legislation will be approved by this committee and will be enacted into law during this session of Congress.

H.R. 6434 provides an increased contribution by the Federal Government not to exceed the amount now withheld from the employee, which is now 25 cents biweekly. The Federal Government will, if this bill is enacted, bring its share to 19½ cents, which will still be less than the employee.

We have been mandated by our membership to seek additional changes in the Federal employees life insurance fund, wherein the present law reduces the face value to 25 percent of the employee who retires and reaches the age of 65. We would like to recommend that the face value of such policies not be reduced less than 50 percent. We also endorse the proposal to increase the maximum amount of \$20,000 to \$30,000, because of the salary increases since the enactment of the Federal Employees Life Insurance Act.

We appreciate having had the opportunity to present our views on H.R. 6434 which we endorse and urge the committee to favorably report this bill so that this legislation will be enacted during this session of Congress.

Mr. DANIELS. Thank you, Mr. Gibson.

The next witness is Mr. John G. Brady, legislation chairman, National Association of Internal Revenue Employees.

Mr. Brady.

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

Mr. BRADY. Mr. Chairman and members of the subcommittee, I am John G. Brady, chairman of the legislation committee of the National Association of Internal Revenue Employees. Our office is located at 711 14th Street NW., Washington, D.C. Our association of over 27,000 members strongly urges and recommends the enactment of this bill, H.R. 6434, to protect the financial integrity of the Federal life insurance coverage for Federal employees and their families. Two

million Government workers now participating in the Federal employees group life insurance program depend heavily on this program.

Records show that industry provides and takes care of their employees for full coverage of insurance.

Our association recommends the Government assume the additional premium in order to protect the trust fund.

Mr. DANIELS. Thank you, Mr. Brady.

The next witness is Mr. Dillard Lasseter, legislative counsel, Organization of Professional Employees, Department of Agriculture.

Mr. Lasseter.

**STATEMENT OF DILLARD LASSETER, LEGISLATIVE COUNSEL,
ORGANIZATION OF PROFESSIONAL EMPLOYEES, U.S. DEPARTMENT OF AGRICULTURE**

Mr. LASSETER. Mr. Chairman and members of the subcommittee, my name is Dillard Lasseter. I am the legislative counsel for the Organization of Professional Employees, Department of Agriculture. OPEDA, an organization comprising a membership of over 7,000 professional employees, is dedicated to a variety of objectives for strengthening the career civil service. We are greatly interested in any issues, or problems, which concern employees so broadly and extensively as retirement, insurance, and health benefits.

It is our privilege to appear before this committee in support of H.R. 6434, a bill introduced by Chairman Daniels, to strengthen the financial condition of the employees' life insurance fund. We wish to commend the chairman for his prompt action in introducing the bill, and the interest of this committee in employee matters as evidenced by the prompt scheduling of this hearing.

It is our understanding that a recent actuarial appraisal of the employees life insurance fund has established the need for increased contributions to the trust fund from which life insurance claims are paid if the fund is to be maintained at a sound, proper level. We have no basis to question the accuracy of this determination. If these are the facts, the time to act is now. Failure to act will only magnify the problem. The Government must keep faith with employees. The Government must hold up its end of the financial responsibility in this matter.

It is noted that the proposed bill would authorize a contribution from appropriated funds computed at a rate determined by the Commission, but not to exceed the amount withheld from the employee. OPEDA agrees that the Government contribution should be increased to meet the present requirements. In fact, we do not believe the employee contribution should be increased for any financial need until the Government contribution is on at least a matching basis, or there is a substantive increase in employee benefits. Certainly the Federal employee currently pays a higher proportion of the total cost than is normally true in insurance plans in private industry. In fact, employers frequently pay the total cost in private industry.

If we understand the proposed bill correctly, the Commission would have the authority to adjust the Government contribution up to an amount equaling the employee contribution. If the present requirement is for an increase in the Government contribution on the order

of 7 cents, this would bring the Government contribution to 19.5 cents. Therefore, the proposed legislation would provide the Commission a cushion of 5.5 cents above present need, which could be used to meet any future requirements of the plan. It is well that the proposed legislation provides some discretionary leeway because the amount may be sufficient to meet some future need without the time lag required for necessary legislation.

Mr. Chairman, we appreciate this opportunity to appear before this committee.

Thank you.

Mr. DANIELS. Thank you, Mr. Lasseter.

The last witness is Mr. John J. Murphy, president, National Customs Service Association.

Mr. Murphy.

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

Mr. MURPHY. Mr. Chairman and members of the subcommittee, my name is John J. Murphy and I am president of the National Customs Service Association, an independent organization of employees of the customs service at all levels and in all occupations. We have 46 local branches throughout the United States and represent the majority of customs employees.

We strongly support H.R. 6434 and want to thank you, Mr. Chairman, and members of the subcommittee, for the opportunity to present our views on this fine bill and also on other legislation concerning the Federal Employees Group Life Insurance Act.

Our membership which is made up of career employees is, of course, greatly concerned with the actuarial soundness of the insurance fund and endorses every effort to strengthen it. We believe that H.R. 6434 by authorizing an increase in the contribution by the Government will go a long way toward correcting the actuarial deficit.

At our 21st biennial convention last year, our life insurance committee devoted considerable time to this subject and we would respectfully recommend for your consideration two changes in the present insurance act:

1. We recommend that the life insurance coverage be raised to twice the next thousand dollars of basic pay, at the employee's option, the cost to be borne by the employee.

This recommendation would enable the employee in the lower income bracket, who has the greatest need of the protection, to create an insurance estate within his ability to pay. We emphasize that the optional extra coverage would be at no cost to the Government.

2. We recommend that serious considerations be given H.R. 99 and H.R. 3150 which would affect the decrease in the value of insurance after age 65, or after retirement, from 2 percent a month to 1 percent a month, and which would halt the decrease at 50 percent instead of the present 25 percent.

We feel that the reduction to 25 percent of the face value of the policy works a serious hardship coming as it does at a time of life when the purchase of new life insurance is so expensive as to be prohibitive, when the ability to pass the required physical examination is very diffi-

cult, and when income from which to pay premiums for new insurance has been drastically reduced, while the need for maximum coverage remains as great as ever.

In general, we wish to endorse the many bills now before this subcommittee that would liberalize insurance coverage. H.R. 6160 and H.R. 2188 would increase the value from \$20,000 to \$30,000. H.R. 98 would allow the purchase of an extra \$1,000 of insurance and H.R. 432 would change the method of designating beneficiaries.

Thank you, Mr. Chairman and members of the subcommittee for your courtesy. Our association greatly appreciates your continued interest in the welfare of Federal employees. We hope that the Congress will see fit to give early approval to this fine bill. Thank you very much.

Mr. DANIELS. Thank you, Mr. Murphy.

This hearing will now adjourn.

Thank you, gentlemen.

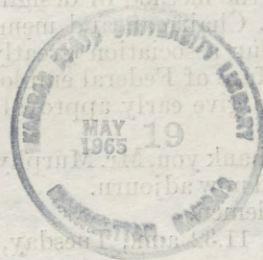
(Whereupon, at 11.32 a.m., Tuesday, March 30, 1965, the hearing was adjourned.)

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out, and when income from which to pay premiums for new insurance has been drastically reduced, while the need for maximum coverage remains great as ever.

In general, we wish to endorse the many bills now before this subcommittee that would liberalize insurance coverage. H.R. 6780 and H.R. 218 would increase the value from \$20,000 to \$30,000. H.R. 28 would allow the purchase of an extra \$100 of insurance and H.R. 482 would change the method of designating beneficiaries.

Thank you, Mr. Chairman. I hope that the subcommittee for your courtesy. Our committee greatly appreciates your continued interest in the well-being of Federal employees. We hope that the Congress will see fit to give early approval to this fine bill. Thank you very much.



Mr. Danahy: Thank you, Mr. Chairman. This hearing will be adjourned. Thank you gentlemen. (Whereupon, at 11:34 a.m., Tuesday, March 30, 1965, the hearing was adjourned.)