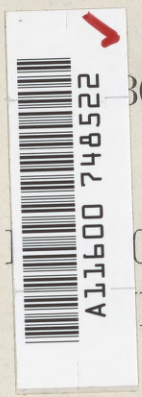


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# CIVIL SERVICE RETIREMENT ANNUITIES

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BEFORE THE  
COMMITTEE ON RETIREMENT  
OF THE  
COMMITTEE ON  
OFFICE AND CIVIL SERVICE  
UNITED STATES SENATE  
EIGHTY-NINTH CONGRESS

FIRST SESSION  
ON

## H.R. 8469

AN ACT TO PROVIDE CERTAIN INCREASES IN ANNUITIES  
PAYABLE FROM THE CIVIL SERVICE RETIREMENT AND  
DISABILITY FUND, AND FOR OTHER PURPOSES

AUGUST 12 AND 13, 1965

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



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CIVIL SERVICE RETIREMENT ANNUITIES

HEARINGS

SUBCOMMITTEE ON RETIREMENT

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

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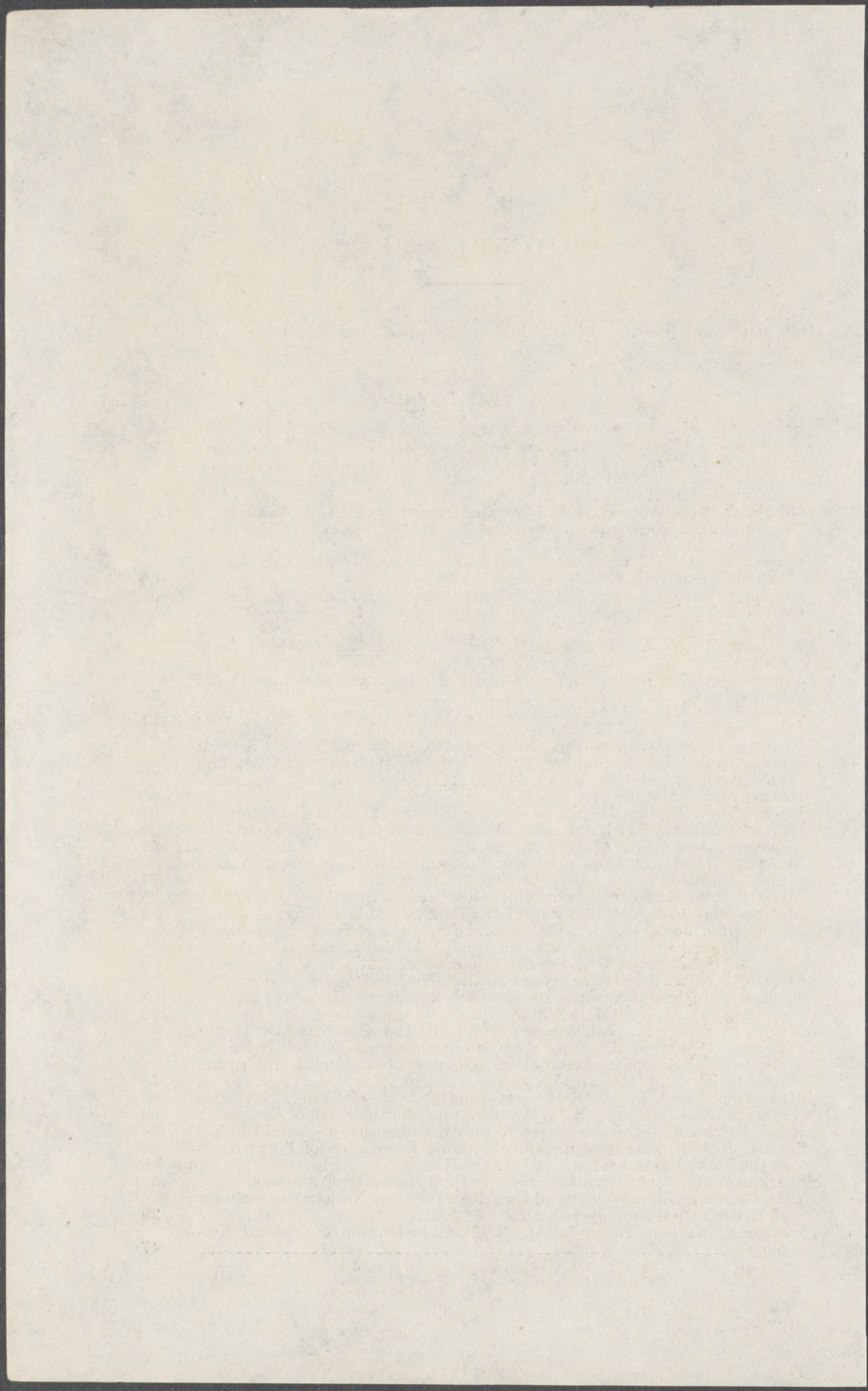
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## CIVIL SERVICE RETIREMENT ANNUITIES

THURSDAY, AUGUST 12, 1965

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

The committee met at 10 a.m., pursuant to call, in room 6202, New Senate Office Building, Senator Donald S. Russell presiding.

Present: Senators Russell and Yarborough.

Staff present: William P. Gullledge, staff director and counsel; David Minton, LeGrand A. Rouse II, and Hugh B. Key II, professional staff members; and Frank A. Paschal, minority clerk.

Senator RUSSELL. The hearing will come to order.

This hearing before the Retirement Subcommittee is convened today to take testimony on H.R. 8469.

The subcommittee chairman, Senator Gale W. McGee, is unavoidably absent on official business, and the ranking member, Senator Yarborough, has been detained at another committee meeting. I shall open the hearing in their absence.

Senator Fong has been delayed at the Public Works Committee over in the House on a matter which he is deeply concerned about.

He does have a great deal of interest in the pending bill and will attempt to be here as quickly as possible.

H.R. 8469 will provide an increase of approximately 11 percent in those retirement annuities which began on or before October 1, 1956, and 6 percent in those which commenced thereafter.

The bill provides a slightly higher increase for widows of employees who passed away at a time when no survivor protection was afforded by the law.

The annuities of future survivors would be increased by changing the present base from 55 to 60 percent. This legislation would also change the procedure for granting automatic annuity increases.

At this point, I will insert in the record a copy of the House bill, H.R. 8469.

(The document referred to follows:)

[H.R. 8469, 89th Cong., 1st sess.]

AN ACT To provide certain increases in annuities payable from the civil service retirement and disability fund, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) section 1(t) of the Civil Service Retirement Act, as amended (5 U.S.C. 2251(t)), is amended to read as follows:

“(t) The term ‘price index’ shall mean the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics. The term ‘base month’ shall mean the month for which the price index showed a per centum rise forming the basis for a cost-of-living annuity increase.”

(b) Section 17(a) of such Act, as amended (5 U.S.C. 2267(a)), is amended by inserting immediately before the period at the end thereof the following: ", and for payment of administrative expenses incurred by the Commission in placing in effect each annuity adjustment granted under section 18 of the Act".

(c) Section 18 of such Act, as amended (5 U.S.C. 2268), is amended to read as follows:

"SEC. 18. (a) Effective the first day of the third month which begins after the date of enactment of this amendment each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by (1) the per centum rise in the price index, adjusted to the nearest one-tenth of 1 per centum, determined by the Commission on the basis of the annual average price index for calendar year 1962 and the price index for the month latest published on date of enactment of this amendment, plus (2) 6½ per centum if the commencing date (or in the case of the survivor of a deceased annuitant the commencing date of the annuity of the retired employee) occurred on or before October 1, 1956, or 1½ per centum if the commencing date (or in the case of the survivor of a deceased annuitant the commencing date of the annuity of the retired employee) occurred after October 1, 1956. The month used in determining the increase based on the per centum rise in the price index under this subsection shall be the base month for determining the per centum change in the price index until the next succeeding increase occurs. Each survivor annuity authorized (1) by section 8 of the Act of May 29, 1930, as amended to July 6, 1950, or (2) by section 2 of Public Law 85-465, shall be increased by any additional amount which may be required to make the total increase under this subsection equal to 15 per centum or \$10 per month, whichever is the lesser.

"(b) Each month after the first increase under this section, the Commission shall determine the per centum change in the price index. "Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.";

"(c) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

"(1) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 10(d)), which annuity commences the day after annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death, except that the increase in a survivor annuity authorized by section 8 of the Act of May 29, 1930, as amended to July 6, 1950, shall be computed as if the annuity commencing date had been the effective date of the first increase under this section.

"(2) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 10(d), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 10(d) shall be increased by the total per centum increase allowed and in force under this section for employee annuities which commenced after October 1, 1956, and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 10(d) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death.

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

"(e) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar, except that such installment shall after adjustment reflect an increase of at least \$1."

Sec. 2. Section 10 of the Civil Service Retirement Act, as amended (5 U.S.C. 2260), is amended by striking out "55" wherever it appears therein and inserting in lieu thereof "60". This amendment shall not apply with respect to employees or Members retired or otherwise separated prior to the date of enactment of this Act.

SEC. 3. The provisions under the heading "CIVIL SERVICE RETIREMENT AND DISABILITY FUND" in title I of the Independent Offices Appropriation Act, 1959 (72 Stat. 1064; Public Law 85-844), shall not apply with respect to benefits resulting from the enactment of this Act.

Passed the House of Representatives August 3, 1965.

Attest:

RALPH R. ROBERTS, *Clerk.*

Senator RUSSELL. Prior to the first witness, Senator McGee has given to the clerk a statement which he asked be read at this point and incorporated in the record.

#### STATEMENT OF HON. GALE MCGEE, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator MCGEE. I deeply regret that an assignment from another committee makes it impossible for me to be in Washington for these hearings on this much needed and very important legislation. I want to thank my good friend, Senator Yarborough, for his generosity in conducting these hearings, and I want to express my firm support for this legislation at this time.

The fact that the cost of living has just experienced a rather marked increase after many months of relative stability should give us further incentive to restore to civil service annuitants equitable treatment for their many years of service to the Government and the people of this Nation.

I will not reiterate the various provisions contained in this legislation but merely suggest that it in large measure fulfills the current need to provide adjustments in annuity rates, to improve the provisions for cost of living adjustment and to strengthen survivorship protection for the spouses of employees and future annuitants.

At the present time, there are more than 700,000 retirees and survivors on the rolls of the Civil Service Commission; considering the current population explosion and the increased longevity of the average American, it is obvious that these rolls shall continue to increase as the years go by.

As the number of Civil Service annuitants increases, their effect upon our whole economy increases. Thus, it is not only from the aspect of providing for the individual a decent and adequate retirement income, but also for maintaining the economic stability of a growing percentage of our population that we must consider retirement legislation.

Government service has always been upheld, as it properly should be, as employment of the highest order, giving the employee a chance not only to earn his living but to perform vital functions in the national interest to advance his Nation and its people.

I do not think it is fair for us to expect our employees to be rewarded for that service with inadequate incomes or inadequate retirement benefits.

Therefore, I am pleased to see the committee taking action on this legislation and I know that its deliberations will produce a bill which will advance the cause of equitable treatment for our retired civil servants.

Senator RUSSELL. Our first witness this morning is the Honorable Dominick V. Daniels of New Jersey, the author of the House bill. Congressman Daniels, you may come forward and proceed as you wish.

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

Mr. DANIELS. Thank you, Mr. Chairman, and the committee, for permitting me to testify before this committee this morning on behalf of this bill.

One of the most salient facts brought out during the hearings was that the cost-of-living feature for annuities contained in the 1962 bill is not working out very well.

As you know, this bill was unanimously approved by the Subcommittee on Retirement, Insurance, and Health Benefits, of which I have the honor to be chairman, and by the full Post Office and Civil Service Committee.

H.R. 8469 was considered by the House on August 3, 1965, and was unanimously approved by a record vote of 394 to 0.

I should like at this time to discuss some of the salient features of this bill.

First, the bill provides for an annuity increase of 11 percent for those who retired before October 1, 1956, and 6 percent for those who retired after that date, effective the first day of the third month after enactment.

The increase for both groups is in two parts: The 11 percent figure is arrived at by combining a straight 6½-percent increase with a cost-of-living increase based upon the rise in the cost of living, as reported by the Consumer Price Index published monthly by the Bureau of Labor Statistics, over the average of the price index for 1962. The price index in June had risen 4½ percent since 1962.

The 6-percent increase is arrived at by combining a 1½-percent annuity raise with a 4½-percent cost-of-living adjustment.

The distinction made between those who retired before October 1, 1965, and those who retired since that date is because the 1956 amendments raised the annuities of those who retired after September 1956 by about 20 percent.

The amendments did nothing, however, for those who retired before that date. Since that time, the pre-1956 retirees have received about 10 percent more than those who retired after that date, thus closing the gap considerably. This bill carries the same principle even further.

H.R. 8469 grants an increase of 15 percent or \$10 a month, whichever is least, to the so-called forgotten widows. These are the widows of employees or annuitants who passed away at a time when widows were not entitled to survivorship benefits.

I might point out that there are now about 15,000 in this category.

These annuities, actually gratuities, are quite small. They average about \$44 a month. No one can quibble about the need for doing something for this group whose need is so obvious.

Mr. Chairman, the remarks I am about to make with reference to the cost-of-living index were inadvertently omitted from my printed statement.

Present law provides that whenever the Consumer Price Index of the Bureau of Labor Statistics shall have risen by an average of 3 percent or more for a full calendar year above its average for the calendar year, 1962, annuitants shall receive a comparable increase effective April 1 of the next year.

It also projects into the future with provision for similar cost-of-living adjustments when a like percentage increase in the Consumer Price Index occurs after any cost-of-living increase in annuities is placed in effect.

As a practical matter, here is what has happened since 1962. The rise in the Consumer Price Index over 1962 reached 3 percent in November 1964 and has remained at that point or above ever since.

In fact, the latest available Index shows a 4½-percent increase as of June 1965. Under the formula in the 1962 retirement amendments, however, annuitants will not receive an adjustment until April 1, 1966—3 years and 6 months after the 1962 law was enacted.

For this reason we are seeking to change this provision. Under the provisions of H.R. 8469, whenever the Consumer Price Index of the Bureau of Labor Statistics shall have risen by an average of 3 percent or more for 3 consecutive months, annuities shall be increased by the highest percentage during such 3 months, with the increases beginning the third month which begins after the end of such 3-month period.

This provision will retain the spirit of the 1962 amendments but will accelerate the effective application of the cost-of-living feature.

Mr. Chairman, I would like to call the committee's attention to section 2 of the bill. This section provides an increase of 5 percent in the annuities of eligible widows of employees who died while actively employed or after retirement. Under present law, widows are entitled to 55 percent of the earned annuity or selected base.

In this area, the Federal Government has been extremely remiss. Not until 1948 did the Government enact a program for providing benefits to surviving widows and children of its employees.

I might point out that at this time, 38 percent of all survivors on the rolls—and there are more than 200,000 of them—are receiving less than \$50 a month. Seventy-nine percent are receiving less than \$100 a month. Ninety-three percent are receiving less than \$150 a month. Ninety-nine percent are receiving less than the \$3,000 per year, which we use as the poverty line. Clearly, we would be lacking in humanity if we failed to do something for these deserving widows. I use the term widows because although there are other categories of survivors, the overwhelming majority are widows.

Mr. Chairman, this bill is the result of extensive hearings by the Retirement Subcommittee. More than 50 Members of the House and Senate testified, in addition to representatives of every major employee organization. I do not need to belabor the need for passage of this bill; I am sure that you receive just as many heart rending letters from retirees and survivors attesting to the need for this bill as we do.

Some 700,000 retirees and survivors are looking toward the Congress for justice. I respectfully request that the Senate join the House in passing this fair and reasonable bill. Our retirees and survivors have not shared in the fruits of our expanding economy. You can help

them to become a part of the Great Society by supporting H.R. 8469.  
Thank you.

Senator RUSSELL. Thank you very much. I am sure passage of the House bill can be attributed to your fine leadership as chairman of the House subcommittee which considered this legislation.

Our next witness is Mr. John W. Macy, Jr., Chairman of the U.S. Civil Service Commission.

Before you begin, Chairman Macy, we have letters from the Cabinet Committee on Federal Staff Retirement Systems and the Bureau of the Budget. These will be incorporated in the record at the beginning of your testimony.

(The material referred to follows:)

CABINET COMMITTEE ON FEDERAL STAFF RETIREMENT SYSTEMS,  
*February 10, 1965.*

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

DEAR MR. CHAIRMAN: In accordance with the President's instructions, there was published in the Federal Register of Tuesday, February 9, his memorandum establishing a temporary Cabinet Committee on Federal Staff Retirement Systems. A copy of the pertinent page of the Federal Register is attached to this letter. As Chairman of the Cabinet Committee, I shall be grateful if you will advise your colleagues on the Post Office and Civil Service Committee of the President's action.

The Committee will have its organization meeting in the near future, and arrange for the appointment of staff to serve under the direction of Mr. David F. Lawton of the Civil Service Commission, who will also serve as Executive Secretary of the Committee. If there are any matters of particular interest to the Post Office and Civil Service Committee to which you wish to have us give attention, please let me know.

I am sending an identical letter to the chairman of the House committee, and similar letters to the chairmen of the House and Senate Committees on Armed Services.

Sincerely,

(Signed) KERMIT GORDON, *Chairman.*

[From the Federal Register, Feb. 9, 1965]

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 services. 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, 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.

[F.R. Doc. 65-1477; Filed, Feb. 8, 1965; 10:51 a.m.]

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EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., August 11, 1965.

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

DEAR MR. CHAIRMAN: Reference is made to the committee's request for the views of the Bureau of the Budget respecting H.R. 8469, to provide certain increases in annuities payable from the civil service retirement and disability fund, and for other purposes.

The bill would increase all annuities payable to employees or their survivors who have retired under the Civil Service Retirement Act before the first day of the third month beginning after date of enactment. The annuity increase would be composed of two portions: first, an increase equal to the percentage increase in the Consumer Price Index since 1962 (which was 4.5 percent as of June 1965) plus an increase of either 6½ percent for persons whose annuities commenced on or before October 1, 1956, or 1½ percent for those whose annuities commenced after that date. Another adjustment is provided for certain pre-1948 survivors who were specially provided coverage under previous amendments. The bill would also revise the 1962 formula for future automatic cost-of-living adjustments in annuities. The Civil Service Commission estimates the first-year cost of these annuity increase provisions to be \$101.9 million, and the increase in the unfunded liability of the system to be about \$1,040 million.

Section 2 of the bill would increase the ceiling on the survivor annuity payable on death of an employee or annuitant to 60 percent of the earned annuity, or of the base selected for annuity, instead of the present 55 percent. In a report which the Chairman of the Civil Service Commission is submitting to your committee on this bill, opposed to this provision, he estimates it would increase the normal cost of the system by 0.18 percent of payroll, adding approximately \$58 million to the annual cost on the normal cost-plus-interest basis, and adding

\$817 million to the unfunded liability. The Chairman states that this provision is unrelated to the annuity adjustment problem, has not been demonstrated to meet a need which would justify its cost, and represents the piecemeal approach to retirement liberalization which the President's Cabinet Committee study is designed to prevent. The Bureau of the Budget concurs in the views expressed by the Civil Service Commission.

Accordingly, there would be no objection to enactment of H.R. 8469 provided section 2 is deleted, as its enactment would not be consistent with the administration's program.

Sincerely yours,

PHILLIP S. HUGHES,  
*Assistant Director for Legislative Reference.*

**STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN, CIVIL SERVICE COMMISSION; ACCOMPANIED BY DAVID F. LAWTON, DEPUTY DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE, CIVIL SERVICE COMMISSION**

Mr. MACY. Thank you, Mr. Chairman, I am accompanied by Mr. David F. Lawton, Deputy Director of the Bureau of Retirement and Insurance of the Civil Service Commission. He is here to join me in offering any testimony that you may desire with respect to this bill.

I am pleased to appear here today to present the views of the Civil Service Commission on H.R. 8469, a bill which proposes amendments to the annuity adjustment and survivor benefit provisions of the Civil Service Retirement Act.

Section 1 of the bill would amend the plan for permanent adjustment of annuities to reflect changes in the cost of living which was enacted in 1962 as part of Public Law 87-793. This law adjusted annuities up to date to 1962 by granting all annuitants on the roll January 1, 1963, an increase of 5 percent. It also provided increases of 4, 3, 2, and 1 percent in all annuities commencing in the 4-year period following January 1, 1963.

In addition, there was added to the retirement law itself a permanent cost-of-living annuity adjustment plan, starting from 1962, under which present and future annuitants are guaranteed automatic increases whenever there is a rise of at least 3 percent in nationwide living cost.

Under this plan, the Commission determines annually after each January 1 the percentage change in the calendar year average of the monthly Consumer Price Index, calculated from 1962 or from the year before the most recent cost-of-living increase, to the latest complete year. Effective April 1 of any year after the price index shows a rise of at least 3 percent, all annuities then payable which began before January 2 of the preceding year are subject to an automatic increase equal to the percentage rise in the price index, adjusted to the nearest one-tenth of 1 percent.

The Consumer Price Index calendar year average for 1964 was 108.1 as compared to 105.4 for 1962. This was an index rise of only 2.6 percent, and was insufficient to provide an automatic increase April 1, 1965. The earliest possible date for an increase under present law is April 1, 1966.

Section 1 of the bill under consideration today preserves the cost-of-living adjustment principle established in 1962, but would amend the adjustment plan to gear it to the more sensitive monthly price

index indicator, and would provide the following adjustments effective the first day of the third month which begins after enactment:

1. All existing annuities would be increased by the percentage rise in the price index computed on the annual average index for 1962 and the monthly index last published on date of enactment. Through June 1965, this was 4½ percent.

2. Annuities which began, or survivor annuities derived from annuities which began, on or before October 1, 1956, would be further increased by 6½ percent; annuities which began after October 1, 1956, would be further increased by 1½ percent.

These additions, when combined with the 4½ percent cost-of-living increase, would afford these annuitant groups total increases of 11 and 6 percent, respectively.

3. Annuities of widows and widowers of former employees who died before survivor protection became generally available in 1948, and whose gift benefits when later granted were limited to \$50 or \$63 a month, would be further increased by an amount sufficient to make a total increase of the lesser of 15 percent or \$10 a month.

For the future, Mr. Chairman, annuities would be increased automatically to reflect changes in the cost of living. Future increases would occur whenever the monthly price index showed a rise of at least 3 percent for 3 consecutive months over the base month used for determining the most recent cost-of-living adjustment. Each future increase would take effect the first day of the third month beginning after the price index showed the necessary 3-percent rise.

Section 2 of the bill departs from the subject of adjustment of existing annuities. It proposes an amendment under which annuities of eligible widows and widowers of employees who die in service or who retire and die after enactment would be 60 percent of the earned annuity or of the survivor base chosen by the employee, instead of the 55-percent portion provided by existing law.

The annuity increases proposed by section 1 of the bill would have an estimated initial annual cost of \$101.9 million, and would increase the unfunded liability of the civil service retirement fund by about \$1,040 million. The section 2 survivor benefit proposal would incur an annual level cost of approximately \$58 million, figured on the normal cost-plus-interest basis, and would add \$817 million to the unfunded liability.

As you indicated, Mr. Chairman, my letter of August 11, 1965, stating the Commission's official position on H.R. 8469 has been incorporated in the record. By memorandum dated February 1, 1965, the President created a Cabinet-level committee under the chairmanship of the Director of the Bureau of the Budget. The President directed the committee to study and review the whole structure of the Government's retirement policies as to objectives, benefit patterns, financial soundness, and overall consistency.

He specifically requested that available survivor benefits be examined in the context of life insurance and other benefits payable to survivors. In this connection, it is important to recognize that each benefit item must be considered in terms of its proper proportionate share of the total fringe benefit package.

It is the position of the Commission that it would be best to defer action on all retirement legislation until it can be considered in the

light of the findings and recommendations of the Cabinet Committee's report, which the President has directed be submitted to him not later than December 1, 1965.

In my testimony before the House subcommittee on March 31, 1965, I stated that it was the position of the Commission that there was neither need nor justification for any further annuity increase legislation beyond that already enacted into law. In the months which followed, however, we have taken a critical look at the existing cost-of-living adjustment plan. We have noted faults, particularly with respect to the annual average formula for computing the percentage rise in the price index. Each monthly price index since November 1964 has shown a rise of more than 3 percent above the level for calendar year 1962. Yet the annual average price index for 1964 showed a rise of only 2.6 percent, and an automatic increase would not become payable under existing law until April 1, 1966.

While, as I have said, the Commission believes it would be better to await the results of the Cabinet Committee's study, experience has shown that the mechanics of the cost of living annuity adjustment plan can be improved. The time element can be shortened by using the monthly price index instead of an annual average. The Commission will therefore not object to the enactment of H.R. 8469 insofar as it proposes adjustment of existing annuities to reflect changes in the cost of living.

We strongly recommend that section 2 be deleted from H.R. 8469. It proposes a major, permanent liberalization in the retirement law which is wholly unrelated to the adjustment of existing annuities—the basic purpose of the bill. The item is typical of the piecemeal approach to retirement legislation which the administration seeks to check by the formulation of up-to-date policies based on the Cabinet Committee study of the total Federal retirement structure. It bears no rational relationship to any other part of the employee benefit package and would not solve the number one survivor benefit problem.

In its deliberations, the Committee, of which I am a member, has recognized as a major defect the inadequacy of survivor benefits for short-term employees, particularly those with less than 20 years of service. We do not believe that there is such a problem for the survivors of employees who die after 30 or 35 years of service. The raise in the widow's benefit from 55 to 60 percent would do very little to help the widow of the employee with comparatively short service. It seems to the Commission that it would be foolish to commit the expenditure of \$58 million a year on a palliative which would be only that and not a real solution. This \$58 million is a substantial sum which would leave less to be spent for a better solution. We hope, in our report to the President next December 1, to be able to recommend a solution which would really help the widow who most needs help.

The Bureau of the Budget has advised that enactment of H.R. 8469 would be inconsistent with the program of the President if it includes the provisions now in section 2.

Mr. Roger Jones will be pleased to give testimony for the Budget Bureau.

Mr. Lawton and I will be pleased to answer any questions.

Senator RUSSELL. Then the only part of this bill to which you object is the survivor's annuity provision in section 2.

Mr. MACY. That is correct. As far as section 1 is concerned, we feel the action of the House in amending the formula for the cost-of-living plan is appropriate, and we support it. We believe it will make the system more responsive to the change in the cost of living and will assure prompt implementation of the policy established by Congress in 1962—namely, that the purchasing power of the earned annuity be sustained for those who have retired.

Senator RUSSELL. Would you explain in greater detail the cost of section 2?

Mr. MACY. Yes; the level cost would be \$58 million annually based upon our computations.

But, as I indicated in my prepared statement that there is an increase to the unfunded liability with this liberalization as well as with others.

Although I know it is unpopular to remind people of what things may cost in the future, in this program where we are really providing benefits for the future, it is important to recognize that these benefits must be funded at some date in the future.

In that regard, our estimate is that section 2 would increase the unfunded liability by \$817 million; \$58 million would be a level cost through time.

Senator RUSSELL. What would be the cost through the first year?

Mr. LAWTON. Much less. Probably not more than 5 or 6 million.

Senator RUSSELL. How fast would it increase?

Mr. LAWTON. It would go up exponentially as the number of survivor annuitants on the rolls increases in future years.

Mr. GULLEDGE. I presume the Cabinet's Committee is making a study of the condition of the civil service retirement and disability fund.

Mr. MACY. Yes, sir, Mr. Gullledge, that is one of the major items on its agenda.

The point that Mr. Gullledge raises is clearly set forth here. One of the grave concerns is the matter of financing not only this retirement plan but the retirement plans that cover military personnel, Foreign Service employees, and other Federal employees.

The study by the Cabinet Committee is related to all Federal retirement systems and consideration of what is the Government's proper position with respect to providing income after retirement, covering survivors and how such plans should be designed and financed.

The members of the Committee are 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, and the Chairman of the Civil Service Commission.

This Committee has Mr. Lawton as its staff director. It has been working industriously for a number of months. Last month it held 4 days of hearings to permit organizations such as those that will appear before you this morning to give their views with respect to changes and modifications of the various retirement plans.

These were very helpful meetings. They afforded a better understanding on the part of the members of the committee of the views of representatives of employees and retirees with respect to this very important part of the total program.

Mr. PASCHAL. I notice in your statement when you referred to section 2 you estimated an annual cost increase of \$58 million. The Bureau of the Budget used the figure \$85 million. Is that an error somewhere or is it that far between the agencies?

Mr. MACY. You embarrass me, my friend. I am afraid I have not checked my statement with the Bureau of the Budget. We will endeavor to clarify the inconsistency.

Mr. PASCHAL. I thought we should have them closer.

Mr. MACY. Perhaps we are using different computers and we should reconcile them.

Mr. PASCHAL. Is it the feeling of the Civil Service Commission with respect to section 2 that 60 percent for survivor benefit is too high?

Mr. MACY. The view of the Commission is that this requires the kind of study that is underway at the present time. We do not feel that we have the information on which to form a judgment as to the proper percentage at the present time.

We do feel that the serious inadequacy with respect to survivor benefits relates primarily to the survivors of short-term employees.

It may very well be that for that group, 60 percent is inadequate.

Our feeling is that it would be wise to await a consideration of the total retirement plan before singling out this particular liberalization because we believe that Congress is entitled to presentations of all changes that appear to be indicated, and further, that the executive branch has an obligation to indicate what its recommendations are as to how such liberalization should be financed.

Mr. GULLEDGE. Mr. Macy, in your report on this proposal, you have given us \$102.4 million as the total cost for the first year. That is on page 2 of your report, dated yesterday.

Section 1 would cost \$101.9 million. It would seem that section 2 would only cost \$500,000, rather than \$5 or \$6 million the first year.

Mr. BROWN. As you said, Mr. Gulledge, that is correct. The estimated first-year cost of section 2 is only half a million dollars, but that will increase very rapidly in the future.

The level cost, which Chairman Macy previously stated, is \$58 million a year. It will go up to over \$100 million in the distant future.

Mr. MACY. Let me explain the testimony just given was from Mr. Maurice S. Brown, Chief Actuary of the Civil Service Commission. He is our mathematical adviser on these matters.

To correct my previous response, the \$58 million that I referred to is the level amount. This is an actuarial term to indicate the amount that would represent a level cost over an extended period of time.

But as you very properly point out, it starts out prospectively and the coverage therefore is limited to start with, but it rises as additional survivors come on the rolls.

Therefore the cost goes on up and on an exponential rise, and the level cost is the statistical term as to what it would cost if you level this line out over a period of time.

So, to be accurate, we should say that the initial cost for the coming year is a modest cost of approximately half a million dollars.

I apologize for confusing the testimony earlier. Does that clarify it for you?

Mr. GULLEDGE. Yes, sir.

Senator YARBOROUGH. I regret I did not have an opportunity to hear each question and answer, but as you know we are forced to divide our work between committees. I had to go to another committee for a few minutes before I could come over to this very important hearing.

I notice your statement about the creation of the Presidential Commission on February 1, 1965, to study this problem of annuities and survivor benefits.

Do we have in the record a table showing what amounts are paid to survivors and how many survivors we have?

Mr. GULLEDGE. We do not.

Senator YARBOROUGH (presiding). I presume that will be placed in the record later.

We have the percentage of survivors that are receiving old age assistance on the basis of need, where the survivor annuity is not enough. Are there any in that category?

There are some survivors receiving as little as \$44 a month. Do we have any data on that or is that awaiting study by the Commission?

Mr. MACY. We do not have data with respect to income of survivors. That is involved, as you point out, in this study.

One of the areas of major concentration by the Cabinet Committee is adequate protection for survivors of all Federal employees.

Also, Mr. Chairman, this has a direct relationship to social security coverage. One of the areas of related study that the Cabinet Committee is focusing on is how to relate these systems.

Senator YARBOROUGH. A study to see whether the average employee receives more or less compared to other people in different segments of our population.

Mr. MACY. That is correct and also see if coverage can be worked out in social security for the short-term employees' survivors.

Senator YARBOROUGH. For those who come in at 55 or 60 and work 5 years?

Mr. MACY. Yes; and even the young employee who unfortunately loses his life and leaves a young family and little in the way of survivor benefits.

That person, if he had established eligibility through social security coverage, would receive a reasonably satisfactory survivorship benefit.

But the civil service system, based upon length of service and salary, would produce very little, and of course, the plan does not vest until after 5 years.

Senator YARBOROUGH. That is being studied by the President's Committee.

Mr. MACY. Yes. I just indicated a charter of that committee assigned by President Johnson. The committee is proceeding to work very industriously on all of these issues and has a requirement to submit its report to the President on December 1.

Senator YARBOROUGH. Of this year?

Mr. MACY. Yes, sir.

Senator YARBOROUGH. Thank you very much, Chairman Macy. I will read that carefully.

Mr. MACY. If, after you have reviewed my statement, you have any questions you would like to ask, I will be happy to come to your office to answer them.

Thank you, Mr. Chairman.

Senator YARBOROUGH. The next witness is Mr. Roger Jones, Special Assistant to the Director of the Bureau of the Budget.

**STATEMENT OF ROGER W. JONES, SPECIAL ASSISTANT TO THE DIRECTOR, BUREAU OF THE BUDGET; ACCOMPANIED BY DAVID McAFEE, STAFF MEMBER, BUREAU OF THE BUDGET**

Mr. JONES. Mr. Chairman, thank you very much. I am accompanied by Mr. David McAfee, one of the staff members of the Bureau of the Budget who works on personnel legislation and personnel policy matters.

Mr. Chairman and members of the committee, may I first thank Mr. Paschal for his sharp eyes. He did catch a transposition in figures. There is no difference between the Civil Service Commission and our figures in cost. It should be \$58 million which has been explained as the level cost. The \$85 million is a transposition, and I will ask that it be corrected in the record.

Senator YARBOROUGH. You may correct your copy as you go through your statement.

Mr. JONES. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before the committee to present the views of the Bureau of the Budget regarding H.R. 8469.

This bill proposes to increase the annuities of all retired Federal employees or their survivors; to revise the 1962 formula for cost of living adjustments in annuities; and to increase prospectively the annuities of widows and widowers from 55 to 60 percent of the employee's earned annuity.

Specifically, all annuities payable as of the first day of the third month beginning after date of enactment would be increased by the percentage change in the Consumer Price Index from the annual average for 1962 to the month latest published on the date of enactment. As of June 1965 the index has increased 4.5 percent.

Furthermore, annuities based on retirements effective on or before October 1, 1956, would be raised an additional 6½ percent, and annuities commencing after that date would be increased by an additional 1½ percent.

A third group of annuities—those being paid to widows and widowers of employees who died or retired before 1948—would be increased by an amount equivalent to the lesser of 15 percent or \$10 per month.

In place of the present formula for cost-of-living adjustments which measures the change in terms of calendar year averages, the bill would provide for the increases whenever the monthly price index shows a rise of at least 3 percent for 3 consecutive months over the base month used for determining the most recent cost of living adjustment. The

effect of this change would be prompter response to increases in living costs.

Section 2 of the bill would increase the annuities of widows and widowers of employees who die in service or who retire and die after enactment from 55 to 60 percent of the employee's earned annuity.

The Civil Service Commission estimates that the first-year cost of the proposed increases in annuities would be approximately \$102 million. Since the bill provides that all costs be met from the existing retirement trust fund, the increase in the unfunded liability would be \$1,040 million. The estimated cost of the section 2 provision changing the survivor annuity formula from 55 to 60 percent would be \$58 million per year, and a further increase of \$817 million in the unfunded liability of the system.

The Bureau of the Budget believes that the full purchasing power of the annuities of former employees and their survivors should be maintained. For this reason, we agree that the proposed revision of the 1962 formula for future automatic cost-of-living adjustments is a desirable improvement.

With respect to the proposed increases in annuities already payable, we are concerned over the fact that past adjustments have resulted in a haphazard pattern of increases that have not been directly related to actual loss of purchasing power. As a result, certain groups of annuitants have been treated more generously than others. The 14½, 6½, and 15 percent adjustments for the three groups of annuitants identified in the bill will not correct these discrepancies. Nevertheless, this general approach is probably the most feasible that can be undertaken at this time. Since we are not prepared to offer a better solution, the Bureau does not object to these provisions of the bill.

We do object, however, to section 2, which seeks to change one particular feature of the Federal benefit package for survivors. In the light of studies now underway, we believe that enactment of the section would be premature.

The President's Cabinet Committee on Federal Staff Retirement Systems is currently reviewing the adequacy of retirement and survivor benefits in relationship to similar survivor benefits provided under social security, Government life insurance, and other disability, death, and survivorship programs.

In the past, Federal employee benefit programs have been instituted and changed from time to time with little attention being paid as to how the benefits of one program related to benefits of another. As a result, there is some question as to whether the total package is as well balanced as it might be. In other words, would a different distribution of the components better meet the needs of the survivors?

The Cabinet Committee's report, which is due December 1 of this year, will make recommendations for changes deemed necessary to improve the adequacy and effectiveness of the benefit package as a whole. The piecemeal change proposed by section 2 of H.R. 8469 conflicts with the President's program. I strongly urge that it be deleted from the bill.

My testimony is largely repetitive of what Chairman Macy said but there may be questions the committee wants to ask of the Budget Bureau. If you have such questions, Mr. McAfee and I will be very glad to try to answer them.

Senator YARBOROUGH. Senator Russell?

Senator RUSSELL. No questions.

Senator YARBOROUGH. Counsel?

Mr. GULLEDGE. In other words, Mr. Jones, the Bureau of the Budget is in favor of the proposal with the exception of section 2?

Mr. JONES. That is correct.

Senator YARBOROUGH. Counsel for the minority?

Mr. PASCHAL. I have no questions.

Senator YARBOROUGH. I missed part of Chairman Macy's testimony while it was being given and I may not have heard this data on the cost of section 2.

Wasn't the question about what it would cost the first year—

Mr. JONES. The first year costs are very small. Mr. Brown's estimate is \$500,000.

Senator YARBOROUGH. What would be the second year cost?

Mr. McAFEE. It depends on how many people retire each year. If we assumed the same number of employees retired the second year it would double, but the tendency will be for the number retiring to increase fairly rapidly from here on.

Senator YARBOROUGH. You say that the cost would be \$500,000 the first year and then double that, a million dollars, the second year?

Mr. McAFEE. Yes, because you will still be paying the first year's retirees and to that you are adding an equal or greater number of employees.

Senator YARBOROUGH. Do you expect as many widows to be involved? This is applying to survivors only. Do you think that in 1 more year there will be double the number of survivors of retirees?

Mr. McAFEE. No, I did not mean to express this in terms of numbers of individuals, but only in cost. The cost, of course, is directly related to numbers; I am just saying that it pyramids.

If you pay out \$500,000, the same number of dollars will have to be paid out to those same people, minus the widows whose husbands die the second year, but you will have added to that more widows; and these will either be about the same number or maybe a slightly greater number.

Senator YARBOROUGH. Has any computation been made as to what it will cost the third year?

Mr. McAFEE. The actuaries have worked this out for about 60 years in advance.

Senator YARBOROUGH. How many years pass before you reach that figure of \$58 million as a yearly cost?

Mr. McAFEE. Presumably halfway through the period, because the \$58 million is the normal cost.

It is the average of what it will cost over the period of time.

Senator YARBOROUGH. You mentioned the figure 60 years.

Mr. McAFEE. I just picked that out of the air. I don't know what actual number the actuaries used.

Senator YARBOROUGH. We would like to get that calculation and put it in for the clarification of the record.

There is a vast difference between \$500,000 and \$58 million and we would want to see those computations so that we may determine what to do with section 2.

(Subsequently the following information was submitted for the record:)

The following table has been prepared by the Actuary of the Civil Service Commission:

Year:	<i>Estimated cost (millions)</i>	Year—Continued	<i>Estimated cost (millions)</i>
1st.....	\$0.5	25th.....	\$68.8
2d.....	1.7	30th.....	84.3
3d.....	3.2	35th.....	96.8
4th.....	5.0	40th.....	107.5
5th.....	7.0	45th.....	115.2
10th.....	16.5	50th.....	119.3
15th.....	30.8	55th and after.....	121.1
20th.....	48.6		

The average of the annual amounts is \$58 million which is the level cost cited by the Commission.

Mr. JONES. May I make one extension to my remarks at this time? As you will remember, the last full-scale study of the Government retirement system was undertaken 11 years ago.

Very shortly after he took office, President Johnson became interested in this because of proposals made to him for increases in social security and for a reexamination of military retirement systems as they provide survivor benefits.

As time went on, in connection with the review of the current year's budget, he decided to extend the study to retirement plans generally in order to update the study that was made by the Kaplan Commission.

A good many things have happened since then in our society as a whole with respect to survivorship and for older people. The Cabinet Committee is most anxious that it have a full opportunity to review the entire spectrum here, with particular emphasis on the short-term service people, as Chairman Macy testified.

As things now stand under the Civil Service Retirement Act there is no survivorship protection for people in their first 5 years of employment. Most of the younger people do not have social security coverage, either.

Senator YARBOROUGH. If they were under social security they would have to be under it for 18 months.

Mr. JONES. That is correct. We are concerned about this. Our objection to section 2 is that it seems to prejudge one specific issue—an issue on which we hope we can come up with a series of recommendations for a better survivorship package on an across-the-board basis.

We are not asking that the committee drop the question of survivorship. We are simply asking that it be deferred until we can put this report before you.

Senator YARBOROUGH. Are there any further questions?

Mr. GULLEDGE. Mr. Chairman, I have one further question.

Mr. Jones, the language in section 3 of the House-passed bill, I presume, is sufficient to avoid the situation in 1962 which required the Appropriations Committee to act before payments could become effective.

Mr. JONES. That is correct. Under H.R. 8469, the payments are made directly from the fund, Mr. Gullede.

Senator YARBOROUGH. I think that is a good question and I am glad to have it clarified.

Thank you, Mr. Jones. Do you or Mr. McAfee feel you have any further information that will be helpful to this bill?

We hope to start on it as soon as we get the completed record of these hearings to study.

If you have any additional information which you think would be helpful on these points, you can send it up and we will put it in the record.

Thank you for your very brief and concise explanations.

Senator YARBOROUGH. Our next witness is Mr. Jerome J. Keating, president, National Association of Letter Carriers.

**STATEMENT OF JEROME J. KEATING, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS; ACCOMPANIED BY J. STANLEY LEWIS, SECRETARY-TREASURER, NALC; AND DON KERLIN, LEGISLATIVE ADVISER, NALC**

Mr. KEATING. Senator, I am accompanied today by the secretary-treasurer, J. Stanley Lewis, and Don Kerlin, our legislative adviser, and who was formerly on this staff.

We are here today representing the 170,000 members of the National Association of Letter Carriers. We have members in every State of the Union, the District of Columbia, and Puerto Rico. Among our membership, we have 15,000 retirees.

We want to thank you, Senator Yarborough, and the members of this committee for scheduling hearings on H.R. 8469 so soon after the action of the House. The House of Representatives thought most highly of this bill, approving it by a vote of 394 to 0.

Senator YARBOROUGH. I would say that is a pretty healthy majority.

Mr. KEATING. That is a fairly good majority.

One of the problems concerning annuitants is that what is an adequate annuity when a man retires, after a few years, because of the change in the value of the dollar, becomes an inadequate annuity. This is the basis of our principal problem today.

In the November 1964 issue of *Pension and Welfare News*, Geoffrey N. Calvert, a graduate in economics and political science, a fellow of the Institute of Actuaries (London) and an associate of the Society of Actuaries in America, declared:

The basic purpose to be served in establishing a pension plan is to enable each employee to enjoy freedom from want and a measure of economic security after he or she is no longer actively employed.

He also stated:

Pension plans are very long-term financial operations. To think of a pension plan simply as a promise to pay a stated number of dollars monthly, commencing at some future date, represents a superficial view. The hopes and expectations of employees are continuously built, during the period of employment, around the concept that they will be able to retire under the plan on a dignified basis and with enough income to meet their basic needs.

We are thoroughly in agreement with what Mr. Calvert said and we believe that we have a responsibility to see that those who are retired have their annuities maintained at a level that will give them a living comparable to what they expect when they retire.

The goal defined by Mr. Calvert is getting more and more attention in private retirement plans. The Bureau of National Affairs reported on a new agreement between the D.C. Transit System and the transit union.

Beginning November 1, 1965, disability, early retirement, and normal retirement will be adjusted each year on the anniversary of the employee's retirement. The adjustment will equal the percentage change in the preceding year in the age rate of the top-rated operator.

In this modern age, the purchasing value of the dollar is constantly changing. Since 1895, the purchasing power of the dollar has declined every year except the years during the depression in the 1930's. With the constant introduction of new products, the concentration of population in urban areas, the necessity of increasing Government activity at all levels, and the necessity for more dollars to maintain our standard of living, this situation is not likely to change.

The National Association of Letter Carriers strongly endorses H.R. 8469, the Daniels bill, recently passed by the House of Representatives.

The principal need is for an increase in the annuities of all retired employees and survivors of employees and retired employees presently on the retirement rolls.

There were 482,131 annuitants on the rolls on June 30, 1964. There were 205,855 survivor-annuitants on the rolls on the same date.

Among the annuitants, 49,544 were receiving annuities of less than \$50 a month; 125,450 were receiving annuities under \$100 a month; 211,501 were receiving annuities under \$150 a month; and 299,751 were receiving annuities under \$200 a month. This means that 62 percent of all those on the retirement rolls were receiving annuities of less than \$200 a month.

On the survivor-annuitant rolls, there were 78,252 receiving annuities under \$50 a month; 163,274 receiving annuities under \$100 a month (this is 79 percent of all of the survivor-annuitants). There were 190,773 receiving under \$150 a month, and 200,400 receiving under \$200 a month. This means that 97 percent of the survivor-annuitants were receiving less than \$200 a month.

It is interesting to note that 139,378 retirees out of the 482,131 on the rolls retired on disability. This figure is in keeping with the experience under social security and also under private pension plans. A substantial number of people who retire do so because of the condition of their health.

We feel that an increase in annuities is sorely and urgently needed. Certainly, under the most conservative evaluation, those who receive less than \$2,400 a year are on a poverty level and, in our fight against poverty, we surely should do something to raise the income of people getting less than \$200 a month.

The Bureau of Labor Statistics used to make studies in 20 selected cities of how much money was required for a retired couple to live. They stopped that study some time back. The last one was made in 1959. When they made that study in 1959, they decided that for a retired elderly man and his wife to live modestly, but comfortably, takes the following income:

In Chicago, \$3,636, which is the highest; Houston was the lowest, requiring \$2,641 annual income to live modestly and comfortably. Yet we have most of our annuitants getting less than \$2,400.

If the BLS figures are correct, and I think they are—I think it is a very accurate Bureau—people who are getting less than \$2,400 can't live in the city with the lowest cost with those studies. The average was close to \$3,000 a year, as I remember it.

The civil service retirement program has not completely ignored the concept that Mr. Calvert set forth that—

The hopes and expectations of employees are continuously built, during the period of employment, around the concept that they will be able to retire under the plan on a dignified basis and with enough income to meet their basic living needs.

The present law provides for an increase in annuities when the cost of living advances by 3 percent. This was made a part of the law in 1962, but the earliest the annuitants can receive an increase under this provision is April 1, 1966. This provision is totally inadequate, and we objected to it at the time it was under consideration as requiring too high a percentage increase in the cost of living, and as being based upon an inadequate base annuity. We believe that the annuity should have been increased to an adequate base before the cost-of-living index was imposed.

Under certain circumstances, the cost-of-living increase might require 14 months before it became effective. H.R. 8469 provides that the Commission shall determine the percent change in the cost of living monthly rather than yearly as the present law provides. H.R. 8469 also provides that effective on the first day of the third month which begins after the price index shall have equaled a rise of at least 3 percent for 3 consecutive months over the price index for the base month, the annuities shall be increased by the same percent increase as the cost of living. In addition thereto, those who retired prior to October 1, 1956, shall be granted an increase of 6½ percent in their annuities, and those who retired since that date shall receive an increase of 1½ percent. We endorse these increases wholeheartedly; they are sorely needed.

The increase provided for widows of employees who retired prior to 1948 of 15 percent or \$10 per month is most necessary. These survivor annuitants receive, on the average, \$44 per month. Fifteen percent sounds like a substantial amount, but 15 percent of \$44 is a small amount.

Section 2 of H.R. 8469 provides that section 10 of the Civil Service Retirement Act shall be amended by striking out 55 and inserting 60 wherever it appears.

This section has for its purpose increasing the annuities of those who are placed on the survivorship rolls in the future. The exceedingly small annuities that survivors are now receiving points up to the need for an increase in survivorship benefits. Seventy-nine percent of the survivor annuitants now on the rolls, as I pointed out previously, are receiving less than \$100 a month, and an increase in this area on a permanent basis is sorely needed. If this amendment is not included, as annuitants die and as active employees die, we will have more and more people added to the under-\$100 rolls.

It is our opinion that the provisions of this section are justified. We believe that the provisions of this section should be extended to the survivors of all annuitants now on the rolls. H.R. 8469 does not extend

the benefits of this section to present annuitants. We do not believe that if two people are living on a relatively small income, and one dies, that the surviving wife can get along on 55 percent of the income both were receiving. One hundred percent of the income might not be needed, but certainly 55 percent would not be sufficient. They can get along perhaps on less than 100 percent but 55 percent is a small percentage. There is a general tendency to increase the survivorship benefits in outside industry.

I was reading an article recently that discussed the survivorship benefits in Europe and countries, and all of the European countries are far ahead of us in this area.

I think that certainly we should improve the situation as far as survivors are concerned and, of course, the argument is frequently made, "Let's wait for a study."

We have a lot of studies in Government and the tendency of Government in making a study is to put off action. When you put off action, it means that there are a certain number of people who are going to be denied those benefits. We don't know how long it will be before that legislation will be enacted into law. Certainly, it will be some time next year and several months will elapse before the law is effective.

We think that the case for section 2 is strong enough so that it should be kept in the legislation now. If it is taken out, a lot of people who will retire will be denied the benefits that come from that law but I do sincerely hope it will be extended to those already retired.

There is one question that always comes up when we have a question of retirement and that has to do with the civil service retirement fund.

In connection with that, there is a good deal of discussion about the proper way to finance a retirement fund. Recently, a paper was read at the meeting of the actuaries under private practice. They have a conference every year. This paper was presented by John Hanson, who works for the Wyatt Co., one of the large national companies, and he described, I think, perhaps the three systems that are used for financing funds about as well as anybody. I think we could even modify one of them to some extent in his paper and this is just a resumé of a long paper, a rationale for certain cost provisions.

The House provisions indicated may be interpreted as follows: "Pay as you go;" the necessary contribution on a cash basis under a plan that will continue indefinitely. That is the basis under which the social security plan is financed although we are told that it is a little bit different than the other plans because it is not pay as you go exactly. It is a tax plan rather than a contribution plan.

Then, the second plan is "Normal cost and interest." That is the type of operation that the Civil Service Retirement Commission favors; the appropriate cost provision on an actual accrual basis under a plan that will continue indefinitely.

Under the accrual basis, they pay interest on the unfunded liability plus the normal cost of the plan.

Then the "Termination funding;" the appropriate plan to be considered temporarily. This is a very expensive operation that requires that enough money be put in to take care of all of the liabilities at such time as the plan should be discontinued.

Now, our plan is often singled out for being poorly financed—the only study that was actually made under the Government plans was made in 1954 by the Kaplan Commission. Under the Kaplan Commission, at that time the cost to the Government for Civil Service retirement was 5.15. That is the percentage of payroll. For Federal judiciary it was 19.72. They make no contribution. The sole contribution is made by the Government.

For the uniformed services, the cost was 9.49 percent of the total payroll, and Foreign Service officers and employees contributed at that time five and a half percent. We are contributing six. The payroll cost was 19.50.

So, you see, our plan is the least costly and our so-called unfunded liability at that time was \$9,911 million, and the unfunded liability of uniformed services, according to the Kaplan Commission was \$18 million; twice what our plan was. So, we also think it is sort of unfair to single out and all you hear about is the civil service retirement plan is not properly financed.

I have here a chart that we prepared and presented to the Cabinet Committee, and it shows the Government contributions year by year and the amount of the appropriations recommended by the actuary and the difference between recommended and actual appropriations, the compound interest factor and the amount of money that the Government should have contributed if they contributed what the actuaries recommended.

I might point out further that there is \$14 billion in the fund. The employees have contributed \$12 billion-plus, and the Federal Government has contributed \$10 billion-plus. That is total contributions.

From the total of \$10,300 million, Federal employees contributed over \$12 billion.

In the first 8 years, of course, the Government made no contribution. In 1954 and 1955, there was a provision in the law that they had to contribute money to take care of an increase in the annuitants and they contributed only for that amount. They made no general contribution to the fund. But if they had contributed exactly what the actuaries recommended over the years, there would be \$13,530 million more in the fund.

The year 1930 is the only year during the entire history of the operation of the plan wherein the Congress appropriated and in some cases it was not Congress' fault; sometimes the Commission cut down on what the actuaries recommended and sometimes the Bureau of the Budget cut down on what the actuaries recommended, but the appropriations in only one instance in all of the years since 1921 were what the actuaries recommended.

Now, we think that this ought to be taken into consideration. We believe that the Government has an absolute responsibility here. The fund will be in far better shape if they had contributed as regularly as the employees.

Presently the cost of the plan, according to the figures of the actuaries in the last report published which was for June 30, 1963—the actuarial report is a year behind the report of the Civil Service Commission and they are almost a year behind in actuality—so at that time the employees contributed six and a half percent and now the agencies contribute six and a half percent, but the deficit amounted to 0.49 percent of the payroll, so the fund is reasonably close.

As a matter of fact, the expenditures of the fund up until 1958 were paid entirely out of the employees' contributions. Since then, they have been using a little additional money but at the present time the expenditures of the fund are less than the employees' contribution and part of the interest.

So, I think that this bill is reasonable. I think that every bit of it is reasonable.

I would like to see section 2 extended a little further to take care of the retirees. But I do hope the committee will render a favorable report and that action will be taken very soon because there really isn't too much time remaining if we can believe all of what we read in the newspapers.

We appreciate the opportunity of presenting this testimony this morning.

Senator YARBOROUGH. Thank you, Mr. Keating.

Senator RUSSELL?

Senator RUSSELL. No questions.

Senator YARBOROUGH. Counsel?

Mr. GULLEDGE. No questions.

Senator YARBOROUGH. Minority counsel?

Mr. PASCHAL. No questions.

Senator YARBOROUGH. Mr. Keating, you have some very interesting statistics in this statement of yours. I am very much surprised that out of 482,000 retirees on the rolls, 139,000 retired because of disability, inability to work, rather than on age. Of these 205,000 survivor annuitants, 49,544 were receiving less than \$50 a month.

Do you have any information available here with you today showing the figures on old age assistance which are based on need and not based on the legal right, as these retirees or the social security retirees?

Mr. KEATING. I do not, but actually the civil service retirement looked good compared to some of those programs. Part of it is due to the fact that small annuities were given to the widows of those who retired before 1948. There is another area that I did not mention which I think is quite important.

There are a few cases of mental or physical disability which makes it impossible for them to earn a living. I have had a few brought to my attention where those who retired before 1948 can't get a nickel anywhere. They get nothing under retirement. I think they are pathetic cases. There is only a handful of them, but it is rough on them.

Originally, of course, we had quite a checkered story on survivor annuitants. The annuity that they receive now is better than they did receive previously. The reduction that the employees have had to take prior to 1956 to provide survivorship benefits was quite high.

I have a letter that came in this morning from one fellow who was paying 17½ percent, but under the law at the time he retired, he could have paid 25 percent of the annuity to get the survivor annuity. Subsequently, it was changed to 20 on the smaller amounts and 10 percent. This had a tendency to keep down the number of those who elected survivor annuities.

There have been provisions where they could elect to have a reduction made on part of their annuity. Where the annuities are small and people are in good health, they have not elected the survivorship benefits. All of these things have operated to keep the

survivorship benefits low. I do not think we would show up too well in that comparison.

Senator YARBOROUGH. As you know, in State pension programs, they are based on age. The investigator goes out and interviews them. You might say it is charity. It is unlike these earned annuities.

I know in my own State, in the case of social security retirees, 20 percent of all of the social security retirees receive old-age assistance on top of that. Mine is not the highest, but in 20 percent of these cases the social security payments are so low they are less than old-age pensions.

I think the pension in Texas averages \$68. In some States, it is over \$100 a month, particularly in the mountain regions and Pacific coast, and the Northeastern States.

So, I wonder what percentage of these retirees have to go to the old-age-assistance program to get supplemental assistance.

Senator RUSSELL. Did you say that the payments out of the retirement fund have been greater than the amount of the contributions plus interest upon the fund. Is that correct?

Mr. KEATING. No. The payments out of the retirement fund have been less than the contributions plus interest.

Another factor we did not discuss is that we have not always gotten the amount of interest that we should on the basis of the going interest rate. In fact, recently it was held down to 2½ percent for quite a while, even though the going interest rate on private annuity funds was 4 percent. That was amended in the 1962 law.

You will remember, Senator Yarborough, where now the earning is about 3.26, which is still three-quarters of a percent less than the earnings in private pension funds.

Senator YARBOROUGH. Are there any further questions?

If not, thank you, Mr. Keating, and thank you, Mr. Lewis and Mr. Kerlin.

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

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

Mr. NILAN. Thank you, Mr. Chairman.

Mr. Chairman, if it is agreeable to you and the members of the committee I would like to submit our statement for the record and comment briefly on section 2, which seems to be the main point in question.

Senator YARBOROUGH. That will be helpful if you will, and you may proceed in your own way.

Mr. NILAN. We will submit the statement of the United Federation of Postal Clerks.

(The statement referred to follows:)

STATEMENT PRESENTED BY PATRICK J. NILAN, LEGISLATIVE DIRECTOR, UNITED  
FEDERATION OF POSTAL CLERKS, AFL-CIO, ON H.R. 8469

Mr. Chairman and members of the committee, for the record, I am Patrick J. Nilan.

I am the national legislative director of the United Federation of Postal Clerks, AFL-CIO, with headquarters at 817 14th Street NW., Washington, D.C.

We are the sole national bargaining representatives of the 245,000 clerical employees in the postal establishment under the terms of our national agreement with the Post Office.

But the views I am placing on the record here today go beyond the immediate concerns of our working clerks to reflect also the aspirations and, indeed, the prayers of additional hundreds of thousands of retired Federal employees and their survivors—ranks who have aptly been described as the “forgotten people.”

These are the people for whom we speak today—nearly 700,000 retired Federal employees and dependent survivors, a vast majority of whom have been consigned, through no fault of their own, to lives of marginal survival on the fringes of poverty—innocent victims rather than beneficiaries of the Nation's expanding economy.

So, I deem it a special privilege to have this opportunity to be heard in support of H.R. 8469, which proposes to share a small part of the benefits of the Great Society with all segments of that society rather than just some—the principle that says, “be just—fear not.”

For if any one group in our society has been denied justice it is those older retired people who reached retirement age 10 or 20 years ago and whose annuities—based on the smaller salary bases in effect at the time of their retirement—are literal pittance, insufficient to meet even the barest minimum needs for shelter and clothing, not to mention human dignity.

We recently obtained from the Civil Service Commission a set of comparative figures on this score that are revealing—to say the least.

The latest U.S. Civil Service Commission figures available to our union show that as of June 30, 1963, the average monthly annuity of all retired postal employees was \$219 a month, or \$2,628 per annum. But the average monthly annuity of postal employees who retired in 1964 is \$275 a month or \$3,300 per annum—higher by \$56 a month—higher by \$672 a year—than the overall average for all retired postal annuitants.

Obviously median figures of this nature do not begin to show just how pitifully small must be the monthly annuity of those who retired a decade or two decades ago.

Looking even at the most recent averages, a good case can be made for immediate cost-of-living annuity increases; but for the real elders among our retired people increases are urgent, overdue and obligatory. One does not need to be an economist to see that thousands of our retirees and their survivors are living in actual poverty by definition—that is, on incomes under \$3,000 a year.

The United States of America ought to be able to do better than that for its own loyal servants.

Scarcely a day passes that my mail does not bring new and often heart-breaking evidence of the injustice time has perpetrated. Permit me just a few quotes from recent unsolicited letters:

From St. Petersburg, Fla.: “I have \$67-a-month civil service disability retirement; having retired in 1946. Those who retired in 1956 receive so very much more. Is there any chance of righting this injustice soon? I am 73. Tomorrow may be too late. I don't even have a burial allowance.”

From Fort Collins, Colo.: “I am 85 years old, retired in November 1940, after 38 years on the road (as a railway clerk) I am proud of the service I gave the Government during those many years. But we wonder how we can so quickly be forgotten and so easily neglected and forced to live as second-class citizens. Is there any prospect of some help for us older citizens? I hope I have not bothered you too much.”

From Seminole, Fla.: “I might as well go ahead and starve because I can't make ends meet. Those who are working have gotten nearly 30 percent in raises since I retired, but my income has been raised a measly 5 percent or \$192 a year. The job I felt has since received raises totalling \$1,600 a year. Some day you will all be retired and you will see how it is.”

From Chicago, Ill.: “We didn't get any increase in our annuities when the pay raise for working postal employees went into effect last July, but we have to pay the same for our consumer goods as those who did get raises. This is not a fair deal and we are not asking for much—just to be remembered a little for our past service.”

From Indianapolis, Ind.: “The recent increase in the cost of the health benefits program has permanently reduced my annuity by nearly \$5 a month and further increases in the cost of health benefits can be expected in the

future. Is it fair for inadequate annuities to be going down in this day and age?"

These viewpoints were selected at random, Mr. Chairman, that are typical of the hundreds of letters we are receiving about the existing inequities of the retirement system.

Earlier in this presentation I observed that the United Federation of Postal Clerks was testifying today in support of H.R. 8469 and basically the principle of more equitable annuities—and this can be construed to cover a multitude of legislative oversights.

For example; those who retired before 1948, after 45 years of service, are still limited to only one-half of their relatively small 5-year high average salaries while their latter-day successors—in the same job, and in the same category—can receive an annuity of 80 percent of their much larger 5-year high.

The 1956 Retirement Act brought many improved benefits—but only for those who retired after its passage. There are other examples; but this subcommittee and its excellent staff are, I am sure, more familiar than I with the extent and breadth of the inequities which were unresolved as of the enactment of 1956 legislation and subsequent retirement laws.

Mr. Chairman and members of the committee, the United Federation of Postal Clerks supports all provisions of H.R. 8469, including that part of the bill which proposes to increase survivorship benefits from the present 55 percent of a retirement annuity to 60 percent.

Public Law 80-426 enacted on February 28, 1948, originally established the 50 percent survivorship benefit and was subsequently amended to 55 percent 14 years later, on October 11, 1962, as a result of Public Law 87-793.

Mr. Chairman, we strongly urge this committee to recommend approval of this essential minimum improvement to 60 percent in the civil service retirement system as proposed in H.R. 8469.

Mr. Chairman, the antiquated and archaic ideology that "two can live cheaper than one" in present day American society certainly cannot be substantiated when a retiree is suddenly taken from his or her spouse after many years of married life. The expense of mortgage payments, utilities, automobile transportation, property maintenance, and the many other essentials of maintaining a minimum existence or standard of living by one's self after the death of a spouse certainly cannot be equated by a 55 percent, 60 percent, or even a 70 percent or 75 percent survivorship annuity.

Mr. Chairman and members of the committee, we hope you will agree if a 50-percent survivorship benefit was equitable and reasonable in 1948 when enacted into law (and we don't agree it was as a minimum adjustment), then certainly 17 years later, as of today, 1965, a barest minimum of 60 percent as provided in H.R. 8469, would appear more than justified by all criteria of reason, logic, comparability, and certainly Christian justice.

Mr. Chairman, we wholeheartedly endorse and recommend approval of all provisions of H.R. 8469 as presently being considered by this distinguished committee and we want to commend you for the expeditious consideration of this legislation.

Thank you, Mr. Chairman and members of the committee, for the opportunity to present the views of the United Federation of Postal Clerks on this most important legislation. We know, as always, you will give thoughtful and objective consideration to our representations.

Mr. NILAN. We will comment on section 2; that is increasing the survivor benefits from 55 to 60 percent, as recommended in the legislation before this distinguished committee.

I would like to refer the committee to page 4 of our statement.

Mr. Chairman, it happens frequently where the spouse is taken from this world and his widow or survivor must have the additional expenses of mortgage payments, taxes, utilities, automobile and other transportation, property maintenance, and the many other essentials of maintaining a minimum existence or standard of living by one's self after the death of a spouse certainly cannot be equated by a 55-, 60-, or even a 70- or 75-percent survivor's annuity.

We believe, Mr. Chairman, that the minimum of 60 percent as provided in H.R. 8469 would be justified.

We are very much impressed by the questions asked of Mr. Macy. The point was made very clearly and very effectively that the first-year cost of section 2 is estimated at approximately half a million dollars. Certainly, half a million dollars in a 9-month period or a period following enactment of the legislation would require a considerable number of widows to suddenly come into this classification.

But even if the half a million dollar figure is correct, certainly the project, as you brought out, for the next few years, is not a tremendous drain on the retirement fund.

We appreciate the President appointing this special committee to consider the retirement system of the Federal Government.

Also, we feel when this committee does conclude its recommendations and does present a report to the President and, subsequently, to the Members of Congress, certainly there will not be any question of increasing the survivor benefit as proposed in this bill.

We would like to believe that the Commission and the Congress subsequently will find that this figure should be raised to 75 percent or higher, depending on the information and the data that is made available. We do not feel that the question of a 5-percent increase in the survivor benefits is particularly a controversial point either as to the cost involved or certainly as to the proposals that are included in the bill.

I was very much impressed by the statements of my colleague, Jerome Keating, of the National Association of Letter Carriers, and I certainly share his feelings that certainly there should be a higher benefit so far as survivors' benefits are concerned.

As I mentioned, Mr. Chairman, we wholeheartedly endorse and support the provisions of H.R. 8469.

Senator YARBOROUGH. I want to ask a question and I will direct it to several of you gentlemen: What is the percentage paid to survivors of annuitants paid under social security?

Mr. NILAN. I am afraid I do not have that information.

Mr. KEATING. It is on a regular schedule.

Mr. JASPAN. 82.5 percent.

Senator YARBOROUGH. That is a surviving widow who had not worked but whose husband was drawing social security.

Do you know what the percentage is under the railroad retirement law?

Mr. KEATING. It would be about the same because they have a coordination plan.

Senator YARBOROUGH. You doubt it is as high as 80 percent under the railroad retirement?

Mr. JONES. That works a slightly different way.

You get a benefit for the man and an added benefit for the wife and the wife's survivorship is a percentage of the 100 percent of the man's retirement. We can give you a little more precise figures on this.

Senator YARBOROUGH. If a railroad retiree dies, does his widow continue to draw her percentage plus a share of his percentage?

Mr. JONES. No. She gets a basic percentage of his annuity. It comes out about as Mr. Jaspán indicated, but the computation formula is a little different than a straight percentage.

(Subsequently, the following information was supplied for the record:)

## RAILROAD RETIREMENT ANNUITIES

Railroad retirement is considerably different from civil service retirement when it comes to survivorship benefits. Under the railroad retirement system, there are both wives' annuities and widows' annuities. Under civil service retirement, there is only a widow's annuity.

The computation of annuities under railroad retirement is quite complicated, but there is one provision to the railroad retirement law which places a definite floor on the amount of annuity that a widow will receive. The law contains a provision which guarantees railroad employees and their families that their total monthly benefits will be not less than 110 percent of the amount or 110 percent of the additional amount they would receive if the employee's railroad service after 1936 had been covered by the Social Security Act. This would mean that in many instances, the annuity could well be the same as social security—that is 82.5 percent of the employee's annuity, and quite certainly the computable annuity would be more than the civil service annuity.

Senator YARBOROUGH. Mr. Keating, you stated that in Europe widows receive higher benefits.

Can you furnish us data as to what foreign countries have programs similar to ours?

(Subsequently the following information was supplied for the record:)

## WIDOWS' BENEFITS IN EUROPE

In the June 1965 issue of Pension and Welfare News, Clark T. Foster, writing on the subject of widows' benefits declared that:

"Widows' benefits in Europe have long been an integral part of the typical pension program and it would be difficult to find any U.S. plan more generous to widows than those that are commonplace abroad. The U.S. social security program, in fact, includes important widows' and orphans' benefits. Normal progress toward the rounded program of family security in our corporate employee benefit arrangement was detoured by the development of group life insurance, now the standard form of death benefit in the U.S. employee benefit package."

Specifically, in the typical benefit program of a German employer, "widows of employees who dies before retirement—at any age, and after as little as 1 year of service—receive income for life or until remarriage, of as much as 60 percent of the pension the employee would have received had he survived to normal retirement age and continued to earn the salary he was earning at the time of his death."

Senator YARBOROUGH. Do you have available, Mr. Jones—I assume the President's Commission is studying this—what these annuities would be in private industry where they have pension plans separate from social security?

Mr. JONES. We have some information on the staff retirement plans which are additive to private systems, but in many cases the companies are not too anxious to reveal this type of information because it depends upon the method it is financed. Generally, the survivorship annuities, under the additive plans, are geared to what the social security benefit may be in terms of the life of the principal.

Senator YARBOROUGH. As you say, that would be a rather more difficult thing, because if it were labor in the plant it would depend upon the contract with the labor union and if it were with their executives they would be hesitant to furnish it.

Mr. JONES. For the production workers it is fairly easy to work but it is difficult for nonproduction employees. In many cases among the executives, for example, the basic pension is tabled to the officer, himself. There is no provision for survivorship but his own pension is high enough or his own annuity is high enough that it is expected

that he can make some provision for his widow. It is extremely complicated.

Senator YARBOROUGH. I think that would be too limited in numbers to be very helpful here where you are dealing with hundreds of thousands of people.

Mr. JONES. I do not believe the retirement committee staff will have enough definitive information on this point so that we can help this committee by inserting it in the information.

Senator YARBOROUGH. Do you have available what percentage is paid to survivors of annuitants of the State retirement system of those States that have retirement systems?

Mr. JONES. I just don't know how far it goes. We do have some information.

Senator YARBOROUGH. I will not hold up the hearings for it, but if any of you gentlemen have that information it would be helpful to have it.

Our next witness is Mr. Clarence Tarr, president, National Association of Retired Employees.

**STATEMENT OF CLARENCE M. TARR, PRESIDENT AND LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES**

Mr. TARR. My name is Clarence M. Tarr, president and legislative director of the National Association of Retired Civil Employees.

Our association's membership of more than 115,000 is made up of retired civilian employees of the United States and their dependents and survivors, and widows of employees who died in the service. We have over 900 chapters throughout the United States. We are the only national organization which speaks for more than 700,000 retirees and survivors now on the retirement rolls of the Civil Service Commission.

Today I am accompanied by George L. Nichols, our legislative representative, James O. Bellenger, associate legislative representative, and John A. Overholt, legislative counsel.

We appear here today in support of H.R. 8469 which has passed the House of Representatives and is now before this subcommittee. We also thank Senator Yarborough for his sponsorship of S. 422, also pending before this subcommittee. We thank Senator Carlson for introducing S. 236, Senator Neuberger for S. 548, Senator Montoya for S. 1037, and Senators Hill and Sparkman for S. 1685 and S. 1745. We will comment on all of these bills.

There are two major fields in which legislation is needed to correct inequities in our Federal civil service retirement system. This system was established 45 years ago to provide for Federal civilian employees, with the assistance of their own contributions, superannuation income in the form of lifetime monthly annuity payments, and retirement income maintenance for disability.

It is considered to be a merit system in that it is based on the premise that retirement income shall be fairly and directly related to the level of earnings and length of service. It was intended that those who work a full career for Government shall in retirement receive annuity income sufficient to permit them to live in dignity and

at a level comparable with their retired status. By later amendments, annuities were also provided for survivors of employees who die in service or after retirement.

During the past 45 years, there have been many changes in our national economy, in the purchasing power of the dollar, and in our retirement system. The annuity formula has been changed five or six times, with each change providing needed liberalization. The method and formula for providing survivor annuities has also been changed four or five times, with a progressively lower cost to retirees, and a progressively higher scale of benefits for survivors.

For a great many years, most of the changes were retroactive, providing benefits for those previously retired commensurate with benefits awarded to those who would retire in the future.

During the past 15 years, the liberalizations in the system have not been made retroactive, and during this same period we have observed the greatest inflationary advance for any similar period in history. As a result of these circumstances, we now find:

(1) Annuities paid to current retirees now range up to 75 and 80 percent more than annuities now paid to persons who retired from the same identical positions 15 or 20 years ago, and up to 25 percent and 30 percent more than annuities now paid to persons who retired 5 or 10 years ago.

(2) Persons retired from 10 to 17 years ago are now paying, through annuity reductions, up to 25 percent of their annuities, in order to provide survivor annuities on a 50 percent basis, while current retirees can provide survivor annuities on a 55 percent basis at a cost—through annuity reductions, of only 21½ percent of their annuities.

Examples of cases showing the above conditions are presented in the appendix to this statement.

S. 236, S. 1037, and S. 1685 are designed to correct some of the inequities in annuities of persons previously retired by giving them annuity increase of 10 percent on up to \$3,000 of their annuities, and 5 percent on any present annuity in excess of \$3,000.

S. 422, S. 548, and S. 1745 are designed to correct the inequities in survivor annuities by a recomputation of all deductions taken in order to provide survivor annuities under the more liberal formula in the 1962 law—2½ percent on up to \$3,600 of annuity and 10 percent on the remainder—and by the recomputation of survivor benefits to the 55-percent base available in the cases of persons who retired on or after October 11, 1962. We are in favor of the provisions of all of these bills.

Hearings on similar bills were held in the House of Representatives in March and April of this year, and the result is H.R. 8469 which recently passed the House of Representatives and is now awaiting action by your subcommittee.

H.R. 8469 approaches the annuity increase problem in two ways.

First, it seeks to liberalize the automatic cost-of-living increase provision of present law to provide increases in 1965 that would not otherwise be effective before April 1, 1966, under which annuitants would receive increases of approximately 4½ percent; and, second, it adds to the cost-of-living increase an additional 1½ percent in annuities based on service which ended after October 1, 1956, and an additional

6½ percent in annuities based on service which ended on or before October 1, 1956. It would also grant a minimum increase of 15 percent or \$10 per month, whichever is less, in the modest survivor annuities of widows of employees who died, or of those who retired, before April 1, 1948.

With respect to survivor annuities, H.R. 8469 would not correct any present inequities in deductions to provide survivor annuities, or in the amount of survivor annuities, but would increase from 55 to 60 percent the base for survivor annuities in the case of persons who retire in the future. In effect, this would add to the disparities in amounts of survivor annuities, without correcting any of the disparity in the costs of such annuities.

Quite naturally, we prefer the provisions of S. 236, S. 1037, and S. 1685 to the annuity increase provisions of H.R. 8469. These bills would give us annuity increases of 10 percent on up to \$3,000 in annuities this year, and we could still receive the cost-of-living increases amounting to at least 4½ percent in 1966.

However, we must recognize the fact that there is strong opposition in some quarters to such a program and there is danger that it would not be approved. Furthermore, we are impressed by the fact that H.R. 8469 provides a more workable formula for future cost-of-living increases as well as for the one now accrued.

Under present law, the increase in the cost of living, as reflected in the Consumer Price Index, must average at least 3 percent for an entire calendar year for the annuity increase to become effective in April of the following year. This has resulted in the present intolerable situation where the cost of living had advanced more than 3 percent before the end of 1964 but there is no possibility for a matching annuity increase until about a year and a half later.

H.R. 8469 provides that when the Consumer Price Index advances 3 percent or more, maintained for only 3 months, the annuity increase will follow 3 months later. This will insure that future cost-of-living increases will follow within 6 months after they are due instead of waiting more than a year. All things considered, therefore, we are willing to accept the annuity increase provisions of H.R. 8469 as the best that have a reasonably good chance of approval this year.

Section 2 of H.R. 8469 increases the base of survivor annuities for survivors of persons who retire in the future from 55 percent to 60 percent, but gives no relief either to survivors of former employees or retirees, or to retirees now suffering reductions up to 25 percent to pay for meager survivor annuities. We agree with the principle that survivors should have 60 percent of the annuities of their deceased spouses, but we believe the principle should apply to all.

If the principle is to be applied gradually, we believe it should first be applied to survivors of retirees who received small annuities in the past, and who need the 60 percent advantage much more than survivors of retirees who will receive much larger annuities in the future.

We are also impressed by the fact that there are more objections to section 2 of H.R. 8469 than there are to section 1. We understand also that section 2 is estimated to cost almost as much as section 1 of the bill and probably a great deal more than the cost of section 1 less the cost-of-living increases which would be due anyway in 1966.

I want to thank Mr. Keating and Mr. Nilan for requesting that H.R. 8469 be amended to include those survivors presently on the rolls and future survivors of present retirees, as well as the survivors of those who will retire in the future.

Section 2 as it is now written is unacceptable to us. Our association is committed to eliminating disparities and not increasing them, which section 2 would do.

For the reasons given above, therefore, we urge this subcommittee and the full Senate Committee on Post Office and Civil Service to amend H.R. 8469 by amending section 2 to benefit all survivors, or if this is not possible, deleting section 2, and report it promptly to the Senate for action. We plead for prompt action in order that the bill may be approved before the anticipated adjournment of Congress.

otiles

Thank you again for this opportunity to appear. If you have any questions, we will be glad to try and answer them.

Senator YARBOROUGH. AS I understand your position, you are recommending the elimination of section 2 and the prompt passage of the bill.

Mr. TARR. Yes, unless section 2 is amended to apply to survivors of previous retirees.

Senator YARBOROUGH. Are there any questions?

Mr. TARR. We have an appendix we would like to have made part of the record.

Senator YARBOROUGH. Without objection, it is so ordered.

(The appendix referred to follows:)

#### APPENDIX TO NARCE STATEMENT, AUGUST 12, 1965

A former president of our association, who is remembered by many oldtimers around the Capital for the time he spent in the legislative branch, was retired from a position in grade GS-9 in the executive branch in 1945 on account of disability, after completing 36 years of service. His high average salary was \$3,917.66 and his original annuity was \$1,800. At that time there was no simple procedure for providing a survivor annuity, and he received the full annuity. After annuity increases in 1950, 1952, 1955, 1958, and 1963, he now receives \$3,084 per year, or \$257 per month. A survivor annuity was provided for his wife under the 1948 act, of \$50 per month. This was increased to \$55 in 1958 and \$58 in 1963.

The salary average in grade 9 today, corresponding to the \$3,917.66 in 1945, is \$8,200. The earned annuity for this average, based on 36 years of service, computed under the 1956 formula with the 1962 increase of 2 percent, is \$5,708.30. In order to make this most comparable, we assume the man retiring today will elect a survivor annuity on the base of the first \$3,600 of his annuity, which lowers his annuity by \$90. Rounding out to even twelves, the retiree today would receive \$5,616, or \$468 per month, and at the same time provide a survivor annuity of \$1,980, or \$165 per month. The 20-year spread between these two retirees, even with all of the intervening adjustments, represents a difference of over 80 percent in retiree annuities and over 180 percent in survivor annuities.

One of our members was retired from the job of pressman in the Bureau of Engraving and Printing on account of disability in 1950, after 31 years and 9 months of service. At that time, his high 5-year salary average was \$4,020, and his earned annuity \$2,070. He elected a survivor annuity for his wife, which reduced his annuity to \$1,944, a loss of \$136. He received annuity increases of \$180 in 1952, \$216 in 1955, \$240 in 1958, and \$132 in 1963, and his annuity is now \$2,724, or \$227 per month. The survivor annuity for his wife would have been \$86 per month until 1958 when it went up to \$95, and in 1963 it was increased again to \$100. We can compare these figures with the annuity pro-

visions for his successor on the same job who could retire today. The salary in effect when our member retired was \$2.38 per hour, whereas today it is \$4.40. The current 5-year average salary would be about \$8,361. The annuity on this amount for 31¾ years under the more liberal 1956 formula plus the 2-percent increase under the 1962 act, would be \$5,094. The current retiree could provide his wife with \$165 per month (\$1,980 per year) for a reduction of only \$90 per year, but let us assume he wants to be as generous as possible, and designates his whole annuity as a base for the survivor annuity. In this case he loses 2½ percent on \$3,600 and 10 percent on \$1,494, a total reduction of \$240. His current annuity would be \$4,860, \$405 per month, and his wife would receive a survivor annuity of \$2,396, \$233 per month. The current retiree from the same identical position receives more than 78 percent more annuity than the person who retired 15 years ago; and the survivor of the person who retires today will receive 133 percent more than the survivor of the one who retired 15 years ago. As a matter of fact, the survivor of the one now retiring will receive a higher annuity than the 1950 retiree receives today.

Examples are offered below of persons retired from the populous level 4 of the Postal Service, which applies to most of the clerks and letter carriers. Mr. A retired in 1949, after 30 years of service, with a high average salary of \$3,400. His earned annuity was \$1,770 but he took a 10-percent reduction to provide a survivor annuity, so his starting annuity was \$1,596, \$138 per month. The survivor annuity for his wife was \$888, \$74 per month. After receiving the 1952, 1955, 1958 and 1963 increases his annuity is \$2,328, \$194 per month, and his wife's survivor annuity is now \$1,020, \$85 per month.

Mr. B retired in 1954 after 30 years of service, with a high average salary of \$3,800. His earned annuity was \$1,890, but he elected a reduction of \$114 to provide a survivor annuity for his wife. His original annuity was \$1,776, \$148 per month, and his wife's survivor annuity was \$948, \$79 per month. After receiving the annuity increases in 1955, 1958, and 1963, his annuity is now \$2,292, \$191 per month, and his wife's survivor annuity is \$1,116, \$93 per month.

Mr. C retired in 1959, after 30 years service, with a high average salary of \$4,600. His earned annuity was \$2,598, but he elected a reduction of \$80 to provide a survivor annuity for his wife. His original annuity was \$2,520, \$210 per month, and his wife's original survivor annuity was \$1,296, \$108 per month. After the annuity increase in 1963, his annuity is now \$2,652 \$221 per month, and his wife's survivor annuity is now \$1,356, \$113 per month.

Mr. D is about to retire this year, after 30 years service, with a high average salary of \$6,500. His earned annuity, with the benefit of the increase voted him in 1962, will be \$3,729. He plans to take a reduction of \$102 to provide his wife with a survivor annuity. His annuity will be \$3,624, \$302 per month, and his wife's survivor annuity will be \$2,052, \$171 per month.

Even after receiving four annuity increases in 16 years, Mr. A, who is retired in 1949, receives only about 61 percent as much as the current retiree. Mr. B, who retired in 1954, who received three annuity increases in 11 years, now receives only 60 percent as much as the current retiree. Mr. C, who retired 6 years ago, and who has received one increase, now receives less than 75 percent as much as the current retiree. Also, although A is paying the most for a survivor annuity, his wife will get less than half as much as the wife of Mr. D. Mr. B is paying more than Mr. D for a survivor annuity but his wife will get slightly more than half as much as the survivor of Mr. D. Mr. C is paying slightly less than Mr. D for a survivor annuity but his wife will receive less than two-thirds as much as the survivor of Mr. D.

Likewise, under the Classification Act, we present figures for grades GS-5 and GS-9. Mr. E retired in 1949 after 30 years of service with an average salary of \$4,000 in grade GS-5 and elected a survivor annuity, which caused a reduction of \$195 in his annuity. His initial annuity of \$1,752, plus increases in 1952, 1955, 1958, and 1963 is now \$2,556, \$213 per month, and his wife's survivor annuity has increased from \$972 to \$1,152, \$96 per month.

Mr. F retired from the same GS-5 position in 1954 with an average salary of \$4,400 after 30 years of service, and elected a survivor annuity. His original annuity of \$1,956, with the benefit of increases in 1955, 1958, and 1963, is now \$2,496, \$208 per month. His wife's survivor annuity was originally \$1,152, and is now \$1,332, \$111 per month.

Mr. G retired from the same GS-5 position in 1959 with an average salary of \$5,000 after 30 years of service, and elected a survivor annuity. His original annuity was \$2,724 which was increased in 1963 to \$2,856, \$238 per month. His wife's survivor annuity has increased from \$1,416 to \$1,488, \$124 per month.

Mr. H is about to retire from the same GS-5 position with an average salary of \$6,200 after 30 years of service. His earned annuity, with the benefit of the increase in the 1962 law, is \$3,557. He elects a survivor annuity for a reduction of \$89. His annuity will be \$3,468, \$289 per month, and his wife's survivor annuity will be \$1,956, \$163 per month.

Mr. H's annuity is 37 percent higher than the annuities of Mr. E and Mr. F, and more than 21 percent higher than Mr. G's annuity. In the case of the survivor annuities, the difference is even greater.

Mr. J. retired from grade GS-9 position in 1949 with an average salary of \$5,300 after 30 years of service, and elected a survivor annuity. His original annuity of \$2,148, with the increases in 1952, 1955, 1958, and 1963, is now \$3,036, \$253 per month. His wife's survivor annuity was originally \$1,188, and is now \$1,368, \$114 per month.

Mr. K retired from the same grade GS-9 position in 1954, with an average salary of \$6,000 after 30 years of service and elected a survivor annuity. His original annuity of \$2,508 has grown through the 1955, 1958, and 1963 increases to \$3,204, \$267 per month. His wife's survivor annuity, originally \$1,476, is now \$1,704, \$142 per month.

Mr. L retired from the same GS-9 position in 1959, with an average salary of \$7,000 after 30 years of service and elected a survivor annuity. His original annuity was \$3,720, but was increased in 1963 to \$3,912, \$326 per month. His wife's survivor annuity was originally \$1,968, and is now \$2,064, \$172 per month.

Mr. M is about to retire from the same GS-9 position with an average salary of \$9,000 after 30 years of service, and will elect a survivor annuity. His annuity, with the benefit of the 1962 increase, will be \$4,968, \$414 per month, and his wife's survivor annuity will be \$2,868, \$239 per month.

Mr. M's annuity will be more than 50 percent higher than Mr. J's, almost 50 percent higher than Mr. K's, and almost 25 percent higher than Mr. L's. Mrs. M's survivor annuity is more than double Mrs. J's, about 67 percent higher than Mrs. K's, and more than 25 percent above Mrs. L's.

All of these examples show that annuity increases have not kept up with salary increase, and those who retired a number of years ago have a just claim for substantial annuity increases.

Mr. PASCHAL. Did I understand you to say you agreed with Mr. Keating's amendment?

Mr. TARR. We agreed to this extent: That present survivors, the survivors of present retirees should be included in section 2.

Mr. PASCHAL. Mr. Keating's amendment would not eliminate such a group.

Mr. TARR. I may have misunderstood him, but I understood Mr. Keating to say that he would like to see present survivors and future survivors of those presently retired to be included in the bill.

Mr. KEATING. That is right.

Mr. TARR. That is what we would like to have.

Owing to the time, we do not want this bill to be killed. Our people cannot gamble their short future on section 2, because it does not help them. They have waited many long years. We cannot gamble with their future.

Mr. PASCHAL. I just wanted it clear for the printed record. I thought you wanted section 2 eliminated.

Mr. TARR. No. We would be very happy if your committee would approve it, but if it is going to cause a delay and cause a possible loss of the bill, then we would rather have section 2 out.

Do I make myself clear?

Senator YARBOROUGH. Are there any further questions?

Thank you very much, gentlemen.

The next witness is Mr. Sidney A. Goodman, president of the National Postal Union.

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

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

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, for your speedy action in scheduling hearings on H.R. 8469, which was approved by the House of Representatives on August 3, 1965, by the overwhelming vote of 394 to 0.

There can be no doubt in anyone's mind that the immediate beneficiaries of this legislation, namely, civil service retirees and survivor annuitants, are in urgent need of financial assistance.

As stated by the distinguished chairman of the House Subcommittee on Retirement on March 16 of this year:

The history of civil service annuity adjustments to meet exploding costs of living has been one of too little and too late, and our subcommittee does not propose to let this history repeat itself. We intend to act promptly to carry out the Government's obligation to its retired employees this year.

However, there are many bills dealing with revision of the Civil Service Retirement Act before this subcommittee. We know that the distinguished members of the committee will understand our obligation to reflect the needs of our membership with respect to them.

Thirty years ago, annuities received by postal employees constituted a major factor in attracting and retaining desirable personnel. Today, with the advent of social security and the development of numerous and comparable "outside" retirement plans paid for entirely by employers, existing postal annuities can no longer be considered the positive factor they once were. Government, if it is to compete in the labor market, must again restore the retirement system to the favorable position it once held.

National Postal Union's retirement program, as adopted by various national conventions, is as follows:

1. Elimination of the 1-percent deduction per annum between the ages 55-60.
2. All annuities to be tax exempt. Elimination of all deductions assessed for the privilege of selection of widows' and dependent's annuities.
3. Optional retirement after 25 years of service, regardless of age, based upon  $2\frac{1}{2}$  percent of the highest 1 year of service multiplied by the number of years of service, not to exceed 100 percent of the salary.
4. No increase in the present  $6\frac{1}{2}$ -percent deduction of the employee's basic salary.
5. Extend all benefits to former employees now on the retirement rolls.
6. All salary increases enacted be immediately reflected in retirement benefits to all annuitants.

7. That the Government appropriate such sums as may be necessary to assure that Government contributions will have equalled employee contributions since the inception of the act in 1920.

8. That the proviso of 5 years of civilian service for survivors' benefits under the death claim be changed to read: "Immediately upon becoming a member of the Civil Service Retirement Fund."

9. When a wife or husband for whom the survivor's annuity election was made predeceases the employee, the employee's annuity be automatically restored to the full amount.

Administration spokesmen have recommended delay in consideration of basic retirement legislation until a report has been rendered by the President's Cabinet-level Committee on Retirement. Under the circumstances, while we believe liberalization of retirement benefits is long overdue and fully warranted, we recognize that remedial action can be limited at present, to those who need it most—civil service retirees and survivor annuitants.

We strongly support H.R. 8469 as an absolute minimum which retirees are entitled, and urge its approval by this subcommittee.

I wish to thank the subcommittee for the opportunity of presenting our views on this most vital issue.

Senator YARBOROUGH. It is your position that section 2 should be left in the bill but the President's Commission, created February 1, should consider this overall study to bring them up to some comparable level of living.

Mr. GOODMAN. That is right.

Senator YARBOROUGH. Are there any questions?

Thank you very much.

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

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

Mr. JASPAN. My name is Daniel Jaspán. 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 appreciate the interest of the chairman of this subcommittee and the other members in the problems of the more than 700,000 retired Federal employees and survivor annuitants. We strongly recommend that this subcommittee take the necessary action to adjust these annuities since immediate relief is needed. H.R. 8469 is a forward step in the right direction.

Many former Federal employees on the retirement rolls retired when salaries were much lower than they now are. They retired under much less liberal provisions than those who were separated after the enactment of Public Law 84-854 in 1956 and Public Law 87-793 in 1962. If the higher salaries which were justified had been paid prior to 1962, the annuities would have been larger. These retirees and their survivors are receiving smaller annuities due to substandard salaries which were paid prior to 1962, when salary comparability was made part of the law.

Public Law 87-793, which supposedly established true comparability, did not achieve its objective on a current basis. This, too, means that annuities are still not based on truly comparable salaries. If they had been, and if they now were, the annuities would be increased for all retirees and for those who will retire in the future.

Public Law 87-793 attempted to make some provision for increasing annuities by granting a 5-percent increase to those on the retirement rolls prior to 1962, with a sliding scale ranging from 4 percent to 1 percent for those retiring over the following 4 years, ending in 1966. This law also had what appeared at that time to be a hedge against inflation: A cost-of-living adjustment based on the Consumer Price Index.

Cost-of-living adjustment: According to Public Law 87-793, an upward revision of annuities is made when the Consumer Price Index increases 3 percent or more above calendar year 1962 with similar adjustments in the future. The actual adjustment is not made until the following April after this increase has occurred. This means a considerable delay in receiving the benefits of this law. Although the Consumer Price Index has increased much more than 3 percent since 1962, those already retired would have to wait until April 1966 to be given an increase in their annuities.

H.R. 8469 would not only provide for accelerating that increase but would also shorten the period between increases by making an adjustment when the Consumer Price Index advances 3 percent and maintains that percentage for 3 months.

The enactment of H.R. 8469 would relieve the considerable pressure on those who have retired, as well as their survivors.

Although we have many suggestions for liberalizing retirement benefits, we do not want to do anything to jeopardize the chances of having H.R. 8469 enacted into law. We believe, however, that this bill does overlook a small number of people who have no spokesman. I am referring to the widows of employees who died prior to February 29, 1948. If these widows were married less than 5 years to the employee who died, they received no annuity and still receive none. Under present regulations it is necessary to be married to the employee only 2 years for the widow to receive such benefits.

We strongly urge this subcommittee to examine the possibility of applying the 2-year provision to those widows who were denied annuities when it was necessary to have been married for at least 5 years to qualify. We are sure that this is a small number of people and it would be the humane action to take.

We are strongly in favor of H.R. 8469 being enacted as passed by the House, with the exception of the two amendments, the first of which would take care of the widows mentioned above.

The second amendment we propose would lessen the impact of the sudden drop in annuities in cases when the employees cannot qualify for retirement by the first day of the third month following enactment. This means a sudden drop from approximately 8 to 2 percent if they retire this year, and 1 percent if their retirement is effective in 1966. Provision was made in Public Law 87-793 to cushion this cutoff date by granting additional annuity beginning with 5 percent and gradually decreasing by 1 percent each year from 1963 through

1966. We hope that this subcommittee can work out a similar amendment.

We also request that section 2 be retained in the bill. This section increases the survivor benefits from the present 55 to 60 percent. We believe that the 60 percent should actually be increased to at least 75 percent. Since survivor benefits under social security are 82.5 percent of the annuity of the employee, 60 percent certainly is not out of line and we hope that in the near future this amount will be further increased.

Thank you for the opportunity of permitting us to give our views on the pending bill. We hope that favorable action will be taken quickly.

Senator YARBOROUGH. Thank you, Mr. Jaspan.

Any questions?

I request the staff to study this problem of the widows of employees who died prior to February 29, 1948, widows who were married less than 5 years to employees who died. Give us an estimate of the number and method of making some adjustment to them.

The Veterans' Subcommittee recently reported a bill which the veterans organizations long sought. It is now on the calendar and is expected to pass the Senate today to permit the orphans of veterans who died under combat conditions prior to 1940 to go to school.

There are vast provisions for veterans' orphans where the veteran was killed in combat, but they were taken as of the combat date of World War II. There are some before that. When we had the hearings, we found the number in the whole Nation was only 24. It took a vast effort just for that small number.

In the last year or two, a question has arisen as to orphans of Spanish War veterans.

The fact that there is a small number does not mean they should not receive consideration just as though they were a large number of people. I want that study made.

If there are no further questions and no further statements, the committee will stand recessed until 10 o'clock tomorrow. We are to have a statement of Senator Joseph M. Montoya, of New Mexico, placed in the record. He will submit a written statement for this bill.

Thank you all for your very brief and formal and concise statements.

(The following statement was submitted by Senator Montoya for the record:)

**STATEMENT OF HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM  
FROM THE STATE OF NEW MEXICO**

Mr. Chairman, it is my pleasure today to add my strong endorsement to those you have already received in behalf of this bill, H.R. 8469, to provide vitally needed relief for retired members of the Federal civil service and for their survivors.

This bill closely resembles S. 1037, which I introduced with my distinguished colleague from Utah, Senator Moss, last February 8. In the interest of expeditious action, I suggest that we concentrate on H.R. 8469, which has already passed the House, before taking any further action on S. 1037.

The need for adjustments in the annuities the Federal Government provides for its retired employees and their survivors is shockingly apparent when a few statistics are examined.

More than one-fourth of these 482,000 people are receiving less than \$100 a month. More than 60 percent get less than \$200 a month.

Twenty-four hundred dollars a year is not enough for a family to live on, and an annuity that provides only \$1,200 is a distressing commentary on the deficiencies in the retirement system, and on the treatment we are according men and women who have served their Government long and faithfully.

Bad as this situation is, that of the survivors of retired employees is much worse. Four of every five are living on payments of less than \$100 a month. Only 5,400 out of 206,000 receive more than \$200.

In New Mexico, there are 2,784 Federal retirees and 822 survivors. We are proud of these people. They are good citizens, and we are glad that they have chosen our State for their retirement years.

But I am not proud of their income statistics. They average \$2,016 a year, \$180 below the national average, and the survivors are receiving an average of \$966, which just matches the average.

No one should be asked to live on that kind of income, and yet we are making such a demand on retirees in my State and throughout this Nation. It is disgraceful.

The men and women who served their Government faithfully for so many years are entitled to a secure and dignified retirement. Without adequate income, they are robbed of the peace of mind which is so essential to happiness and well-being.

A letter I received from a constituent expressed the need of these retired civil service employees unusually well. Let me quote:

I am writing to request consideration in the passing of legislation proposed for retired Government employees, those old and gray-haired people who were once the backbone of the U.S. civil service.

We have now reached a place where bills are put back from month to month and held over from time to time \* \* \*. It is hard to live on half of what your income used to be, and, taken in connection with the inflated dollar, it constitutes a real problem.

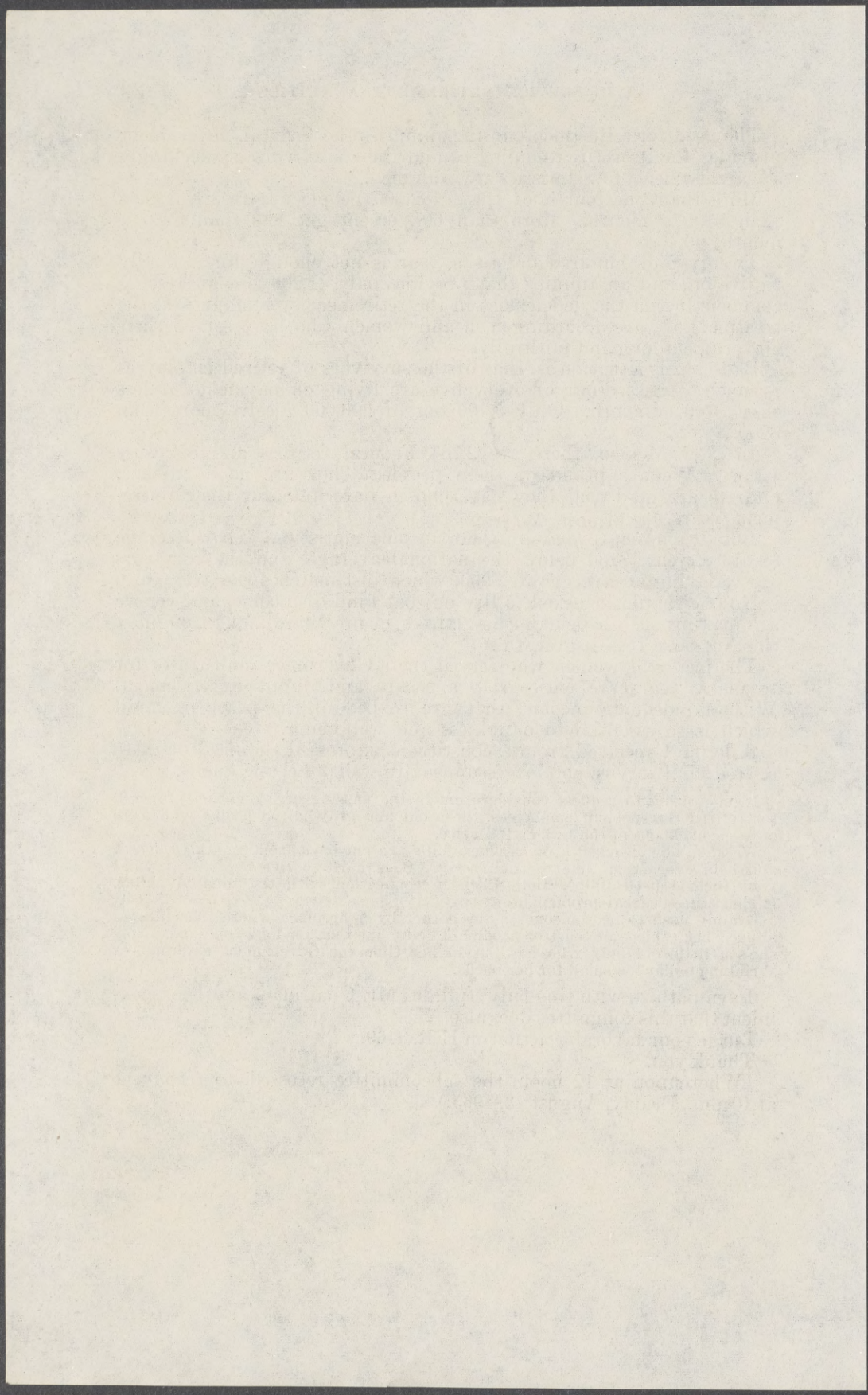
Granny used to be someone in the corner by a fireplace where the children slipped her a piece of toast or a bowl of soup, but that's a long time ago. Now she's a little old lady who has put in her time for Government and finds a shrinking dollar too small for her needs.

I sympathize with this lady's plight, Mr. Chairman, and I am confident that this committee does also.

I urge your favorable action on H.R. 8469.

Thank you.

(Whereupon at 12 noon, the subcommittee recessed, to reconvene at 10 a.m., Friday, August 13, 1965.)



## CIVIL SERVICE RETIREMENT ANNUITIES

FRIDAY, AUGUST 13, 1965

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

The subcommittee met at 10 a.m., pursuant to recess, in room 6202, New Senate Office Building, Senator Ralph W. Yarborough presiding.

Present: Senators Yarborough and Fong.

Staff present: William P. Gullledge, staff director and majority counsel; David Minton, LeGrand A. Rouse II, and Hugh B. Key II, professional staff members; and Frank A. Paschal, minority clerk.

Senator YARBOROUGH (presiding). The hearing is reconvened to continue taking testimony on H.R. 8469, a bill to provide certain increases in annuities to retired civil service employees and their survivors.

Our first witness this morning is Mr. John F. Griner, president, American Federation of Government Employees.

Mr. Griner, you may come forward and proceed as you wish.

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

Mr. GRINER. Thank you, sir.

Mr. Chairman, for the record, my name is John F. Griner. I am national president of the American Federation of Government Employees.

The organization that I represent wholeheartedly supports H.R. 8469, which has received the approval of the House of Representatives and is now pending before this Senate subcommittee. It is a good bill to the extent that it will bring some measure of relief to those annuitants who, because of retirement in earlier years, are receiving proportionately smaller payments.

I would like to have had the increase of payments of those presently on the retirement roll larger than the 11 percent provided for those whose annuities began before October 1, 1956, and the 6 percent for those annuities which began after that date. These raises will help where raises are so acutely needed. The important consideration is to expedite the increases which are proposed and to augment this raise with additional increases next year.

If the proposed increases are approved as soon as practicable, those annuitants in particular who are receiving such pitifully small benefits will experience some relief. For those annuitants who retired before

1956 the escalator formula should have provided a stopgap, but that provision failed to satisfy expectations.

Providing larger benefits for retired Federal employees and their survivors should actually be thought of as one of the effective means of waging the war on poverty. The Council of Economic Advisers has suggested \$3,000 as the annual income below which a person may be said to be living in poverty. That point of demarcation between poverty and minimum subsistence living is applicable whether the person is actively in the labor market and failing to obtain adequately compensated employment or living in a retired status.

It is startling, therefore, to realize that 75 percent of all Federal employee annuitants are receiving less than \$250 a month or \$3,000 a year. It is even more surprising to know that 35 percent of the 482,131 annuitants are paid less than \$125 a month or \$1,500 a year. That 169,000 are receiving this sum halfway below the suggested poverty level further emphasizes the great need of so many retirees. Add to that situation the further fact that 98.9 percent of all survivor annuitants receive less than \$3,000 and the proof of need is truly persuasive.

One fact stands out clearly in this disturbing situation. A recommendation that no action be taken with respect to any phase of retirement legislation until the Cabinet Committee on Retirement has made its report by December 1 is wholly indefensible. More than that, it would be heartless to delay until the next or following session of Congress an increase which can never be substantiated with any greater amount of persuasive statistical data than are presently in the record.

One fact about the retirement roll that is particularly indicative of the need is that while annuities have been increased by varying percentages during the last 15 years, the salaries on which the annuities have been based have in turn been increasing. It has been estimated that there are probably 30,000 retirees who are receiving not less than half the sum which is presently paid to persons currently retiring from positions at the same step in the same grade.

Take, for example, the employee now retiring after 30 years of service with a high-5 average of \$5,000, admittedly not a high salary, yet there are approximately 210,000 classified employees who are receiving that salary or less. The current formula would provide an annuity based on that average and with 30 years of service of \$234 a month. Immediately prior to the revised formula written into the retirement law in 1956, the comparable annuity based on today's equivalent average salary, and using the formula provided by the 1956 retirement law, is approximately \$138 a month. The difference is \$96 a month.

The intervening increases granted annuitants were not anywhere nearly sufficient to make up that initial difference of \$96 a month. In varying proportions, there is a similar basic difference in annuities which provide an evident and sound reason for the provision in H.R. 8469 giving 11 percent to those who retired before 1956 and 6 percent to those who retired after that date. There still will be a gap which it is hoped the next raise given annuitants will close.

If we carry our analysis back to 1948, a year in which there were still other significant changes in the law and salaries were little more than half what they are today, the disadvantage of nearly 30,000 still on the retirement roll who retired prior to 1948 is readily apparent.

That is the group that has the greatest handicap, but those others who retired prior to 1956 are not far behind.

The distinction between annuities commencing before and after October 1, 1956, is important. The formula for computing annuities was radically changed as of that date. The percentage of average salary on which an annuity was based was 25 percent greater under the new formula. At the time the formula was changed retirees already on the roll were not affected. Unlike the social security and railroad retirement systems, the change in the civil service retirement formula did not provide for recomputation of annuities then in effect. I believe consideration should be given at some future time bringing these three Federal systems into agreement on this point.

As a whole, the retirement roll is not made up of a group of short-service employees whose annuities are inadequate by today's standards because they were not employed long enough to merit larger payments. If we subtract the 139,378 annuitants who retired for disability—though many of them have had sizable periods of service—there are 342,753 annuitants whose retirement was directly related to service. Of that number, 120,791, or 35 percent, had 30 or more years of service. Those who had 15 or more years of service numbered 214,589, or 62 percent of those retiring other than for disability.

Or to view the retirement roll from another standpoint, the average service of deceased annuitants, whose passing accounted for the 205,855 survivor annuitants being on the roll on June 30, 1964, was 20.6 years. Again there is indication that even survivorship payments have been related to substantial periods of Government service. In other words, the Federal civil service retirement system is in effect benefiting those who have given a substantial portion of their working lives to the Federal service.

One of the goals of the retirement system should be to relate annuities directly to increases given to active-duty personnel. This relationship is maintained in the military pay and retirement systems. The absence of such an arrangement from the civilian system accounts for the lag of annuities of earlier years behind those which are based on the current salary schedule or wage rates.

The last general retirement annuity increase was provided by the Salary Reform Act of 1962, Public Law 37-793, approved October 11 of that year. Annuities were increased 5 percent which was somewhat less than the 9.8-percent average increase provided by the two classified salary increases included in the 1962 law. The pay raises were inadequate, but their inadequacy is further emphasized by the failure to raise annuities since 1962. Those who were to retire during the next 4 years, January 2, 1963, to December 31, 1966, shared in the 1962 raises which varied on a descending scale from 4 to 1 percent, but again increases which meanwhile became effective for both classified salaries and blue-collar wages were proportionately greater than the lessening formula in the 1962 act.

One reason why annuities have lagged during the last 3 years is the failure of the escalator formula in the Salary Reform Act to permit annuitants to benefit from changes in the Consumer Price Index to which they were related. Annuitants would have benefited from the operation of the formula on April 1, 1964, had the annual average of the index in the calendar year 1963 risen 3 percent over the annual

average in 1962. However, the annual average for 1962 rose only 1.2 percent. Again in 1964 the annual average for that year rose only 2.5 percent above the base year 1962.

In November 1964 the index did reach a level of 3 percent above the base year 1962, but the rise was required by the law to be 3 percent (not three index points) above the annual average for 1962 and the 3-percent increase had to be based on the average of the index for the entire 12 months of 1964. By June 1965, the index had risen 4.5 percent above the 1962 average. If the index maintains or exceeds this level during 1965, annuitants will be eligible to receive a cost-of-living increase of 4 percent or more, effective April 1, 1966.

The revised formula written into H.R. 8469 will be considerably more sensitive to changes in the price index. It will permit an increase of 3 percent if the index has maintained a rise of that percentage or more during 3 consecutive months.

We also heartily approve raising the factor of 55 to 60 which determines the percentage of the amount which the employee chooses as a base and which a widow or widower will receive as a survivor annuity.

In this relation, I am somewhat disappointed, Mr. Chairman, to read in the paper this morning—I was not here yesterday—where a group representing retired employees went on record as withdrawing their support therefrom.

I want it clearly understood that the American Federation of Government Employees is 100 percent behind raising this percentage from the 55 to the 60 percent. I would be in a rather embarrassing position to face you this morning and to face the membership that I represent, which is over 165,000 throughout this country, and say to them that I am not interested in the people who have already retired and are no longer members of this organization, that I am only interested in those 165,000 people who are now members of the organization and who will be members in the future.

We have on our rolls at the present time about 200,555 retirees. Out of that group, 163,234 receive less than \$100 a month.

Senator YARBOROUGH. Isn't it a fact that in some States the average old-age pension is more than \$100 a month without it being an earned annuity?

Mr. GRINER. Yes, sir; 159,104 widows, and their average is only \$77 a month, and the average age is 65.5.

Gentlemen, it is needed in order that these people can maintain an absolute minimum standard of living. I don't think we should defer it.

It is my hope, Mr. Chairman and members of this subcommittee, that you will recommend approval and early enactment of H.R. 8469.

I want to thank you for your giving me an opportunity to appear before this committee.

Senator YARBOROUGH. Mr. Griner, this is a very forceful statement.

Senator FONG, do you have any questions?

Senator FONG. No questions.

Senator YARBOROUGH. Counsel for the majority?

Mr. GULLEDGE. No questions.

Senator YARBOROUGH. Counsel for the minority?

Mr. PASCHAL. No questions.

Senator YARBOROUGH. The next witness is Mr. Nathan T. Wolkomir, president, National Federation of Federal Employees.

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

Mr. WOLKOMIR. Mr. Chairman, members of the committee, my name is Nathan T. Wolkomir. I am president of the National Federation of Federal Employees, an organization of career employees with members in all departments and agencies worldwide.

On my right, I have my assistant specializing in legislation, Mr. Ben Martin.

Mr. Chairman, I desire first to express our appreciation to you and the members of the subcommittee for the interest shown in this very much needed legislation. The promptness with which these hearings have been called following passage of H.R. 8469 by the House of Representatives, by an overwhelming 394-to-0 vote, is most encouraging.

It is our understanding that the subcommittee desires to expedite these hearings in order that the bill may be quickly brought to the full committee and to the Senate floor for a vote. We shall cooperate fully in that objective of the subcommittee by making our testimony succinct and to the point.

Briefly, Mr. Chairman, we wish to register at this time our very strong support for H.R. 8469 as passed by the House of Representatives.

In its vote, the House underscored forcefully the fundamental truths contained in the House Post Office and Civil Service Committee report; namely, that—

the history of civil service annuity adjustments to meet exploding living costs has been one of too little and too late. The responsibility rests squarely on the Congress and there is general agreement that this problem requires our most immediate attention.

Mr. Chairman, the increases provided in H.R. 8469 are modest in the face of the rise in the cost-of-living and the severe difficulties which confront both retirees and their survivors as a result of failure of annuities realistically to meet the needs of these times.

In addition to giving some remedial action now, H.R. 8469 also provides for a very essential improvement in the automatic cost-of-living adjustment feature which will make the law much more responsive to changes in the Consumer Price Index. This, in fact, is one of the most important long-range features of this highly constructive piece of legislation.

The action taken by the House of Representatives was in recognition of the basic soundness of this bill and the need for immediate action.

In this connection, it is noteworthy that the administration has modified somewhat its original opposition by approving the accelerated cost-of-living provisions of the bill. We find no justification, however, for the view that action on other provisions of the measure should be postponed until the Cabinet Committee on Federal Staff Retirement Systems makes its report months from now. As so many Members of Congress are fully aware, the need for action at this time is deeply urgent for retirees and their dependents.

The record is replete with authoritative testimony which clearly points to the pressing need for action. However, I wish to add some brief comments at this time which emphasize the urgency of that need.

Mr. Chairman, the plight of many retirees and their survivors is literally at the point of desperation. The files of the National Federation of Federal Employees contain many poignant letters from retired members and their survivors who are existing at a marginal level because of meager annuities and rising living costs—costs which, by the way, show no tendency to level off.

The Consumer Price Index, even as revised, still fails fully to disclose the plight of these elder citizens who now are attempting to maintain themselves and their dependents after a lifetime of dedicated public service.

May I state that we are just as interested in our present members and our future members as we are those who are no longer members and are retirees. Those were the forerunners of our present civil service system. Various costs which hit these retirees the hardest are still not adequately reflected by the index.

For the information of the subcommittee I would like to include in the record the following excerpts from a letter from one of our retired members. It is typical of many; and many couched in even more urgent and poignant language:

Aren't you forgetting the inflationary damage to those who must exist on their civil service pensions? You are possibly as naive as I was when I believe that tying the pensions into the cost of living would protect the pensioners. Well, it does not give adequate protection.

Are you aware that those pensioners insured under the Government-wide indemnity benefit plan of health insurance had their pension checks reduced by \$4.53 per month effective with checks received on December 1, 1964, and furthermore there was no change in health benefits to offset this action. This represents nearly a 2-percent increase in the cost of living on the basis of my pension check.

Total deductions monthly on enrollment code No. 202 are now \$16.75. This represents an increase of over 33 percent (37 percent plus) since November 1963. The Government contributes a total of \$6.76 monthly \* \* \*.

Let's put a little more emphasis on solving the problems of the pensioner \* \* \*. Please call the attention of Congress to the fact that many civil service pensioners are living on pensions near or below the \$3,000 per year which the Government has classed as poverty level.

The civil service pensioners have just as much right to a decent standard of living as anyone else \* \* \*.

In addition to these and the many other cogent arguments and facts which have been put forward in support of this bill—and may I state that a quick survey of today's testimony indicates that all are in unanimity with those who are testifying for this bill. This should indicate the sentiments and the feelings of those in this field.

I would like to add the further key point that action to increase retirement and survivor annuities is vital if the Federal Government is to fully assume its proper role as a progressive employer.

A retirement system which lags, a retirement system which is inadequate, a retirement system which is demonstrably lacking in sensitivity with respect to price index changes, does a disservice not only to retirees and dependents but to the Government as an employer.

On the other hand, a progressive retirement system, one which is properly and soundly responsive to changing needs and conditions, is a positive and potent influence in both the recruitment and retention

of capable employees with the skills required to carry on important and often highly complex tasks. Therefore, H.R. 8469 can be regarded as an essential step in building a better and more efficient career civil service.

Mr. Chairman, since the inception of the National Federation of Federal Employees in 1917, our organization has had a very special interest in and relationship to retirement legislation. Three years after the National Federation of Federal Employees was organized, we were able to secure enactment of the first retirement law, which President Wilson signed in 1920. Since then, the National Federation of Federal Employees has made improvement of the law a major objective and concern. Various aspects of the law are still in need of progressive revision. And one of the most important needs is legislation to strengthen the fiscal position of the civil service retirement fund.

May I state in our last convention held in Chicago last year we had 168 resolutions, more than 15 percent of all of our resolutions on retirement. Surprising as it may seem to the lay public, it was not on pay but on retirement and revisions to the present retirement laws.

For the information of members of this Subcommittee on Retirement, I am taking the liberty of appending to this testimony on H.R. 8469, the full text of my statement to the Cabinet Committee on Federal Staff Retirement Systems, which contains a detailed exposition of the views of the National Federation of Federal Employees on such matters as increased annuities, optional social security coverage, strengthening of the retirement fund, protection for short-term employees exemption of annuities from income taxation, and others, all of which come within the purview of the subcommittee.

We will not read this particular attachment, but we would appreciate your including it in the record.

(The material referred to follows:)

STATEMENT OF NATHAN T. WOLKOMIR, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES, TO CABINET COMMITTEE ON FEDERAL STAFF RETIREMENT SYSTEMS, JUNE 1965

#### INTRODUCTION

I appreciate the opportunity of presenting this statement on behalf of the National Federation of Federal Employees to the Cabinet Committee on Federal Staff Retirement Systems.

Appointment of this Committee is evidence of the administration's interest in Federal staff retirement systems, which are so vital to sound personnel administration and to a progressive program of employee-management relations.

The National Federation of Federal Employees has a very special and unique interest in the civil service retirement system.

When our organization was formed in 1917, there was no retirement system for Federal employees, although the need was urgent and had been felt for many years.

Thus, passage of retirement legislation became one of the principal objectives of the National Federation of Federal Employees (NFFE) as established at its organizing convention in Washington 48 years ago this September. It is significant that just 3 years after the formation of the NFFE, and the beginning of concerted, organized efforts by Federal employees to secure action in this important area, the first Federal employee retirement law was enacted by Congress and signed by President Woodrow Wilson in 1920.

Since then, the National Federation of Federal Employees has made the improvement of the retirement law a major objective and concern. We have worked, with a signal degree of success, to modernize the system and make it

fully responsive to and reflective of the needs of the Federal Government and its career employees. But it is evident that much yet remains to be done in this direction. There are gaps and lags in the system which cry out for remedy. Indeed, it is noteworthy that at our most recent national convention, in September 1964, more resolutions were presented for consideration on the subject of retirement than on any other single issue confronting Federal employees. This in itself underscores the need for a full-scale survey of retirement such as is being undertaken by the Cabinet Committee.

#### NFFE POSITION ON NEEDED IMPROVEMENTS

The National Federation of Federal Employees for many years has urged the passage of legislation permitting optional retirement after 30 years of service without regard to age.

This would be beneficial both to the Government and to the employees. Many employees would choose to retire, thus making room for younger people and increasing possibilities for advancement. The additional cost to the retirement fund, because of longer expectancy on the rolls, would be largely offset by the smaller annuities paid for shorter service.

Opponents of the proposition have often stated that the better employees would retire but that the less efficient employees would remain on the rolls to the detriment of the service. They have argued that the Government should be given the option of retiring employees "for the good of the service" as a concession for passing 30-year optional retirement.

The NFFE is opposed to forced or involuntary retirement unless adequate safeguards are provided to protect the employees involved. Management now has the right and the responsibility to downgrade or remove unsatisfactory employees for cause, including inefficiency, after due notice, and the employees have the right to appeal against such adverse action.

To force retirement of employees whose work is not unsatisfactory would not be equitable, and would work a grave hardship on many who still have children to educate and other heavy family obligations. To be faced with mandatory retirement at any time at the will of management despite satisfactory service certainly would not help the morale of the Government service, nor its efficiency, and would be a serious deterrent in the recruitment of the well-qualified people so urgently needed in the service.

The NFFE recognizes the need for better protection for the families of those employees who die or become disabled before completing substantial Federal careers. Such protection could be provided by higher insurance coverage and by higher annuities for the families concerned. Nevertheless, our membership has repeatedly rejected all proposals for such changes if it means linking the civil service retirement system with the social security system. We believe the CSRS should be strengthened and its independence maintained. The financial stability of the retirement fund should be assured by increased contributions from Government to make up for past failures of the Congress to appropriate the fair Government share.

The NFFE has gone on record, however, in support of optional social security coverage in addition to Federal retirement for Federal employees, but with the clear proviso that there should be no mingling of the two systems and that Federal retirement would continue independent and not be administratively merged with social security in any way. Optional social security coverage for those employees desiring it and paying for it is, however, in line with progressive thinking and action in this whole field.

Correction of certain inequities in the Federal retirement system are essential, in the view of the National Federation of Federal Employees.

For example, single annuitants should have survivorship rights for dependents; widows and widowers should have equal rights; administrative offices should be required to submit paperwork promptly so that initial payments will be made when due.

It is our position that retirement annuities should be exempt from Federal income taxation. Railroad retirement annuities and social security benefits are so exempt; there is no reason in logic or equity why civil service retirement benefits should not be treated equally. Civil service retirement annuities also should be exempt from State and local inheritance taxes. The assessment of inheritance taxes on the actuarially computed value of the annuity defeats the purpose of the annuity to provide living income for the dependents.

## COMMENT ON PROPOSED POLICY STATEMENT

The principles and policies suggested by the draft of a "recommended statement of congressional policy" regarding the civil service retirement system are generally along the lines advocated by the National Federation of Federal Employees, except that we cannot agree to any connection with the social security system. Our contributions to the civil service retirement fund are far greater than contributions to social security. It is noteworthy that the NFFE never has objected to the size of the employee contributions to Federal retirement but have, on the other hand, advocated increased contributions to secure desired increases in benefits. We are firmly committed to strengthening and maintaining the independence of the civil service retirement system separate and apart from social security.

## CONCLUSION

We strongly urge the Cabinet Committee to recommend both administrative and legislative action along the lines herein indicated to improve and strengthen the Federal retirement system. Such steps are indicated not only in fairness to the career employees and their families but in a larger sense as essential to sound and progressive personnel administration in the Federal service, and thus in the national interest.

Mr. WOLKOMIR. In conclusion, Mr. Chairman, I wish to again thank you and the members of the subcommittee for the interest evidenced by these hearings, and to urge a prompt and favorable report on H.R. 8469.

I thank you personally for this opportunity to appear before this esteemed committee.

Senator YARBOROUGH. Thank you, Mr. Wolkomir. This is a very helpful statement.

Are there questions, Senator Fong?

Senator FONG. No, sir.

Senator YARBOROUGH. Majority counsel?

Mr. GULLEDGE. No questions.

Senator YARBOROUGH. Minority counsel?

Mr. PASCHAL. No questions.

Senator YARBOROUGH. The next witness is John McCart, Government Employees' Council, AFL-CIO.

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

Mr. McCART. Mr. Chairman, my name is John A. McCart, operations director, Government Employees' Council of the AFL-CIO.

The Government Employees' Council, representing 31 AFL-CIO unions with members in the postal, classified, and wage board services of the Federal Government, desires to endorse the pending legislation.

With your concurrence, I would like to have the formal statement presented to the subcommittee included as part of the record, and I would like to proceed extemporaneously to summarize it.

Senator YARBOROUGH. Your statement will be printed in full in the record and you may present it, Mr. McCart, in your own manner.

(The statement referred to follows:)

STATEMENT OF THE GOVERNMENT EMPLOYEES' COUNCIL, AFL-CIO

Mr. Chairman and members of the subcommittee, the Government Employees' Council, representing 31 AFL-CIO unions with members in the postal, classified, and wage board services of the Federal Government, desires to endorse the pending legislation.

To you and other Members of the Senate who have introduced bills to relieve the financial plight of retired Federal workers and their spouses, we express our sincere gratitude. We are thankful also to you and your colleagues for arranging these important hearings.

Approximately 482,000 men and women are currently on the civil service annuity rolls. Almost 300,000 receive a monthly benefit of less than \$200 or below \$2,400 annually.

In November 1960, the Bureau of Labor Statistics developed an interim budget for retired couples. Here are the annual amounts required to maintain a modest, but adequate level of living in five typical cities at that time:

City:	Total budget
Boston.....	\$3,304
Chicago.....	3,366
Houston.....	2,641
Los Angeles.....	3,111
Washington, D.C.....	3,047

While the study is the most recent completed by the Bureau of Labor Statistics in this field, the experience of all of us indicates that substantial changes have occurred in our standard of living since that date.

In examining the Civil Service Commission's report on the retirement system for fiscal 1964, we find there are currently 206,000 receiving survivor annuities. Approximately 163,000 or 80 percent of these individuals have monthly benefits of less than \$100.

Many of those currently on the retirement rolls left Government service many years ago. Their annuities are a pittance because they were computed on a very small salary base and under the lower percentage formula in effect in years past. Included also are a large number of disability annuitants who found it necessary to seek retirement. Of those who retired before August 1956, the average monthly benefit is \$121. After that date, the average increases to only \$160. I am certain there is ready agreement that these amounts are totally inadequate to provide necessities in terms of today's prices.

These figures indicate that the vast majority of Federal annuitants and survivors receive far below the income necessary to maintain a normal standard of living. When we recall that advancing age brings with it unusual medical and related expenses the case for adequate annuities becomes even more compelling.

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

H.R. 8469 represents a large step in alleviating the financial hardship of these former Federal employees and their survivors. It provides pension increases averaging 10.2 percent for those who retired before October 1, 1956, and an average 5.2-percent advance for retirees after that date. We urge its approval.

In October 1962 (Public Law 87-793) Congress adopted a cost-of-living formula for adjusting benefits of retired Federal workers and survivors. Under this method, an increase of 3 percent in the Consumer Price Index for a full calendar year would result in a similar adjustment in annuities effective April of the following year. The formula represents an effort to maintain some ratio between the consistent advance in living expenses and the fixed income of retirees. But it does not account for the disparity between those two items at the time of enactment. Nor does it respond promptly enough to fluctuations in the Consumer Price Index. Despite the fact that the Consumer Price Index advanced 3.7 percent from 1962 to June 1965, the peculiar operation of the formula in the Retirement Act has resulted in no change in annuity benefits for retirees and their survivors. A revision of the formula is needed badly.

The bill remedies this defect by permitting adjustments in the annuities in the future 3 months after the price index has maintained a 3-percent increase for a 3-month period. An important effect of this provision will be to reduce substantially the time when the need for annuity adjustments becomes apparent and the actual receipt of increases by retired Federal employees and their survivors.

Now, we deal with the specific problem of survivors of retired Federal employees.

Present law entitles them to 55 percent of the retiree's pension after his death. On the basis of figures cited earlier, the monthly benefit for these individuals—principally widows—is totally inadequate to meet the constantly increasing costs encountered by our older citizens. As the standard of living in our Nation continues to advance, the situation of survivors will continue to deteriorate, unless the formula for computing their pensions is revised.

Section 2 of H.R. 8469 meets this problem by increasing the annuity available to survivors to 60 percent of the benefit of the original retiree.

The Civil Service Commission's report on civil service retirement for the year ended June 30, 1964, reveals that the average monthly benefit of survivors of Federal workers who retired in recent years is \$77. Certainly this average cannot be permitted to continue in the future if there is to be any hope for the survivors keeping abreast of their economic needs.

The council recommends subcommittee approval of this feature of the bill.

One other feature of H.R. 8469 deserves particular attention. It is the critical financial straits of widows of Federal workers who retired before 1948, when survivorship annuities were not available. There are only 43,000 of these widows, most of whom are at an advanced age. Through the liberality of Congress, they have been granted small pensions as gratuities. These annuities average \$44 monthly. Many receive less.

H.R. 8469 provides increases for these survivors of 15 percent or \$10 a month, whichever is less. The council urges that the subcommittee endorse this section of the measure.

To you and your associates, we extend sincere appreciation for providing this opportunity to testify on a subject of vital concern to hundreds of thousands of retired and active Federal employees.

Mr. McCART. To you and the other Members of the Senate who have introduced legislation to assist retired Federal workers, we express our appreciation and also for your arranging these current hearings.

There are about 482,000 retired Federal employees. Almost 300,000 of them have monthly benefits amounting to less than \$2,400 a year.

In November 1960, the Bureau of Labor Statistics devised a budget for retired couples. We have listed the cities involved in our statement. Let me say that this budget ranges from \$2,641 a year in Houston, Tex., to \$3,304 in Boston, Mass.

We realize that the retirees, some 300,000 of them, are receiving less than \$2,400 a year. The situation they face financially becomes readily apparent.

We have talked about the annuitants, themselves.

So far as the survivors are concerned, the situation is even more difficult. There are 206,000 of them on the retirement rolls. About 80 percent have annuities amounting to less than \$100 a month.

Another category of annuitants involves those who have retired on disability. For those who retired August 1956, when Public Law 854 was enacted, their monthly benefit is \$154 and even those who have retired after that date have averaged monthly benefits of only \$160.

All of this indicates that the Federal annuitants and their survivors are suffering badly so far as finances are concerned. We feel that H.R. 8469 is a very significant step in the direction of correcting this problem. It provides for the annuitants increases of 10.2 percent for those who retired before 1956 and an average of 5.2 percent for those retiring after that date.

I think one of the important features of H.R. 8469 is the revision of the present formula for determining increases for annuitants in the future. What it amounts to is this: At the present time, annuitants can wait as long as 18 months after the consumer price index has risen 3 percent, and under the formula proposed by the House this

period can be reduced to 6 months. In that way, H.R. 8469 is much more responsive to the needs of the men and women involved.

One of the other important features of the pending bill would increase from 55 percent to 60 percent the share that a survivor can secure of annuitant's pension when that annuitant dies. This, we feel, is a significant and important feature of the bill and we heartily recommend it for your favorable consideration.

Let me say only with respect to this provision in the pending bill that the average annuity of survivors today is \$77 a month. Now, if the average is maintained, the increase in the formula from 55 percent to 60 percent would amount to \$3.85 a month. If it is increased under the bill, the amount additionally available to survivors in the future will be not much more.

Finally, Mr. Chairman, we would like to direct your attention to the particular difficulty faced by the 43,000 widows of Federal workers who retired before 1948. There were no survivorship provisions available at that time. As a consequence, Congress has provided a gratuity for these widows which amounts to \$44 a month. H.R. 8469 proposes that these elderly widows receive an increase of 15 percent or \$10, whichever is less, on a monthly basis. We heartily recommend this provision to your attention for favorable action.

In conclusion, Mr. Chairman, we would like to urge the subcommittee at an early date to report H.R. 8469 so that the many men and women who have devoted their lives to public service can live in at least reasonable comfort even though their standard of living may not be increased appreciably.

We appreciate very much the opportunity of presenting our views to the committee.

Senator YARBOROUGH. Thank you very much, Mr. McCart.

Are there any questions, Senator Fong?

Senator FONG. No, sir.

Senator YARBOROUGH. Majority counsel?

Mr. GULLEDGE. No questions.

Senator YARBOROUGH. Minority counsel?

Mr. PASCHAL. No questions.

Senator YARBOROUGH. The Senate is now in session and we could be called over there any minute.

Any expedition in the hearing will be appreciated.

Our next witness is Mr. C. L. Dorson, president of the Retirement Federation of Civil Service Employees.

#### STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES

Mr. DORSON. Mr. Chairman and members of the subcommittee, my name is C. L. Dorson. I am president of the Retirement Federation of Civil Service Employees, an organization of approximately 90,000 members, most of whom are presently employed by the Department of Defense.

We should like to begin by expressing our sincerest thanks to you for the very prompt scheduling of these hearings, in which we have intense interest, after enactment of H.R. 8469 by the House of Representatives. Your great interest in the well-being of present and re-

tired Federal employees, thus exhibited, is very heartening and much appreciated.

For the purpose of conserving your time and expediting consideration of this important legislation, we shall be very brief. You are already familiar with the provisions of the bill and, therefore, we shall not take the time to tell you again that which you already know.

Except for the reservations concerning section 1(b), beginning at line 3 on page 2, we heartily endorse H.R. 8469 as enacted by the House and recommend that it be reported favorably and enacted by the Senate at the earliest possible date.

Our reservations concerning section 1(b) stem more from our fear that an objectionable precedent, for charging all administrative costs against the civil service retirement and disability fund, will be established than from concern that the cost of administering section 18, now and in the future, would appreciably deteriorate the fund.

We realize that it will be difficult to anticipate in advance, for budgeting purposes, the frequency of automatic annuity and adjustments under section 18. We point out, however, that annuity increases have, in the past, been put into effect without resorting to a charge against the fund and we have no doubt that this can be accomplished in the future. Therefore, we suggest that H.R. 8469 be amended by deleting section 1(b).

Mr. Chairman, the opportunity afforded us to express our views is much appreciated.

Senator YARBOROUGH. Thank you, Mr. Dorson, for coming here and presenting your views.

I want to request the staff to make a special study of section 1(b), have it ready for this subcommittee at its first executive committee meeting.

I believe you are the first witness to call this to our attention and what the precedent is on charging this administrative cost, what practice might go up on it. We want a special study on that in connection with your recommendation that that paragraph be deleted.

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

Senator YARBOROUGH. Any questions, Senator Fong?

Senator FONG. No questions.

Senator YARBOROUGH. Majority counsel?

Mr. GULLEDGE. No questions.

Senator YARBOROUGH. Minority counsel?

Mr. PASCHAL. No questions.

Senator YARBOROUGH. The next witness is Mr. Ross Messer, legislative representative of the National Association of Post Office and General Services Maintenance Employees.

Mr. Messer is not here, but we have his statement which will be placed in the record at this point.

(The statement referred to follows:)

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

Thank you, Mr. Chairman, and members of the committee 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 Ninth Street NW., Washington, D.C.

This association is the national exclusive bargaining representative with the Post Office for all maintenance service employees in the postal field service under a nationwide election held in 1962.

This association has also formal recognition with the General Services Administration representing maintenance employees in the Public Buildings Services of GSA. This association has locals in the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia.

We wish to thank you, Mr. Chairman, and the members of this committee for their interest in the plight of the retired employees and their survivors and for the early hearings you are holding on this subject, so vital to these retired employees.

We also wish to thank the committee members, and other Members of Congress, who have introduced legislation which would grant an annuity increase to the retirees and their survivors.

The Federal civil service retirees and their survivors are truly the "forgotten people" in the United States today, at a time when \$3,000 is believed to be the borderline below which a couple is in the poverty class.

The records of the Civil Service Commission show that more than 75 percent of the former Federal employees on the retirement rolls are receiving annuities of less than \$3,000 per year.

The Chairman of the Civil Service Commission has pointed out that the average annuity is \$2,212 per year. This may be the average annuity. We do not question the figures used by the Civil Service Commission.

We would like to point out, however, that even though the average annuity is \$2,212 per year, there are 91 annuitants who are receiving under \$10 per month; 700 annuitants receive between \$10 and \$19; 3,249 are receiving between \$20 and \$29 per month; 4,255 are receiving from \$30 to \$39 per month and 5,782 are receiving from \$40 to \$49 per month. This is a total of 14,077 employee annuitants who are receiving less than \$50 per month. There are 39,422 annuitants receiving more than \$50 per month and less than \$100. There are 59,472 employee annuitants receiving between \$100 and \$150 per month and 54,938 are receiving between \$150 and \$200 per month. More than 50 percent of the annuitants are receiving less than \$200 per month, while 149 annuitants are receiving over \$1,000 per month.

Of the survivor annuitants, 8,727 are receiving under \$50 per month and 14,422 are receiving \$69 per month or less. Sixty-nine dollars is the greatest amount received by any survivor annuitant.

Mr. Chairman, the plight of the retirees and the survivor annuitants receiving these small annuities in the times when the Nation is prospering as it never prospered before, is a shame and a disgrace to our National Government.

This association strongly endorses H.R. 8469 as passed by the House by a vote of 395 to 0.

We are happy to note that the Civil Service Commission and the Bureau of the Budget have withdrawn their objections to section 1 of the bill and now approve the increase for retired employees and their survivors.

This association also endorses the provisions of section 2, providing an increase in survivorship benefits from 55 to 60 percent for survivors of future retirees.

Mr. Chairman, this association has always believed in fairplay and it is our belief, in this instance, that fairplay should be applied by amending section 2 of the bill, to provide 60 percent of the annuities for the survivors who are now receiving 50 percent of the annuities of their deceased spouse.

Mr. Chairman, it is our hope that the committee will take immediate action on this bill, so that it can become law at the earliest possible date and benefit the many retired Federal employees and survivors who are having such a difficult time in today's high-priced economy.

I wish to thank you again, Mr. Chairman, for this opportunity to appear before you today and to present the views of our association.

Senator YARBOROUGH. The next witness is Miss Margaret E. Moore, past president, Retired Teachers Association of the District of Columbia Education Association. She will be accompanied by Miss Helen E. Samuel, legislative consultant.

**STATEMENT OF MISS MARGARET E. MOORE, PAST PRESIDENT AND LEGISLATIVE CHAIRMAN, DISTRICT OF COLUMBIA RETIRED TEACHERS ASSOCIATION; ACCOMPANIED BY MISS HELEN E. SAMUEL, LEGISLATIVE REPRESENTATIVE, DISTRICT OF COLUMBIA EDUCATION ASSOCIATION**

Miss SAMUEL. Mr. Chairman, Senator Fong, I am Miss Helen Samuel.

I am appearing here today on behalf of the retired teachers of the District of Columbia Public School System and as legislative representative of the District of Columbia Education Association which has a membership of almost 4,200 of the professional personnel of the public school system.

Accompanying me is Miss Margaret E. Moore, past president and legislative chairman of the District of Columbia Retired Teachers Association, which is composed of over 800 members. Miss Moore will speak, however, on behalf of more than 1,400 retired teachers.

We are here to request that the retired teachers of the public schools of the District be included in the legislation which is being considered today to increase the annuities of the retired personnel of the Federal and District Governments.

As you know, H.R. 8469 has already passed the House of Representatives. When this or similar legislation passes the Senate, it will mean that, with the exception of retired teachers, all retired employees of the District government, including clerks, secretaries, and custodians of the public schools, will receive increases in their annuities.

In making a request to include retired teachers in this legislation, we are aware that we are running into a jurisdictional matter between committees. Since the Retired Teachers Association has been unsuccessful in its attempts, however, to secure a hearing on its own bill, we feel justified in appearing here today. It is our opinion that the Members of Congress will not wish to adjourn this session without having included retired teachers in legislation to increase the annuities of all other retired personnel.

Miss Moore has prepared a brief statement which she wishes to present to you.

Miss MOORE. I am Margaret Moore, chairman of the Legislative Committee of the District of Columbia Retired Teachers Association.

The District of Columbia Retired Teachers Association respectfully requests this Subcommittee on Retirement to consider placing a rider on H.R. 8469 that will include the teachers and officers who retired from the District of Columbia public schools for the following reasons:

1. The District of Columbia Retired Teachers Association has been informed that there is very little hope that hearings on their legislation (S. 1852 and H.R. 958) will be scheduled before Congress adjourns.

2. Because the police and firemen have a clause in their law that states whenever a new salary schedule for active employees is approved, the annuities of retirees are adjusted accordingly and because there was such an adjustment in September 1964; and if the civil service retirees receive an increase in annuities now, the retired teachers

of the District of Columbia public schools will be the only employees of the District of Columbia who have not been considered.

3. The 3 percent cost-of-living increase voted in 1962 has not yet materialized and cannot be expected before April 1, 1966. In the past few months the price index has risen higher than 3 percent. This rise is reflected in the food prices in our markets, in the rise in the cost of clothing, the increase of real estate taxes in the District of Columbia which will be felt on our bills in September, and increased telephone rates. Our expenses are already much higher; but our annuity checks read the same as they did in 1962, and for about 500 retired teachers that figure reads below \$300 a month. (One half of this number receive between \$120 and \$225 a month.)

However, if attaching such a rider would jeopardize the passage of H.R. 8469, the District of Columbia retired teachers would not wish to deprive the retired civil service employees of a much-needed increase in their annuities.

A brief statement that was prepared to present to the House and Senate District Committees had hearings on H.R. 958 or S. 1852 been scheduled accompanies this request. I shall be glad to read or discuss it if you desire.

Thank you for your courtesy in allowing time to hear this request for a rider to H.R. 8469 which would mean that the District of Columbia retired teachers would receive some help more immediately in meeting their financial problems.

It is not expected that you will make a study of the legislation written into S. 1852, but simply that whatever, in your judgment, it is possible to grant to civil service retirees be granted to District of Columbia teacher retirees also, and that the cost of the increase be paid from the District of Columbia teachers' retirement and annuity fund.

I have some additional material I would like to submit for the record if there is no objection.

Again, thank you.

(The material referred to follows:)

EXCERPTS FROM STATEMENT PREPARED TO SUPPORT LEGISLATION FOR INCREASED ANNUITIES OF DISTRICT OF COLUMBIA PUBLIC SCHOOL TEACHER RETIREES

The District of Columbia Retired Teachers Association, with more than 800 paid members, sends its newsletters to and works for the welfare of the more than 1,400 retirees from the District of Columbia public schools. Ever since 1958 the District of Columbia Retired Teachers Association has made efforts to increase the annuities of those teachers who were restricted from the benefits of the more liberal retirement act, Public Law 85-46 approved on June 4, 1957, and made retroactive to October 1, 1956.

On September 2, 1958, the 85th Congress approved Public Law 85-917, a bill to increase those retired prior to October 1, 1956, by 10 percent, not to exceed \$500, and retroactive to August 1, 1958.

The 87th Congress in its 2d session granted an increase of 5 percent to all persons retired or retiring under the act for the retirement of public school teachers in the District of Columbia.

In spite of these two efforts listed above, a sizable group of the teachers who retired prior to October 1, 1956, are living on very small annuities, especially small when considered in the light of the increased cost of living. The following

table shows how many teachers who served 20 or more years and the annuities they are receiving:

	Regular roll <sup>1</sup>	Disability roll <sup>1</sup>	Total
Income bracket:			
Below \$157.50.....	1	21	22
\$158 to \$210.....	38	45	83
\$211 to \$262.50.....	105	67	172
\$263 to \$315.....	191	15	206
Total.....	335	148	483

<sup>1</sup> Number of cases.

Therefore legislation was introduced in the 88th Congress, but failed of enactment. That legislation was introduced again this year, but so far no hearings have been scheduled.

Because our concern was largely for the older retirees we requested that their annuities be brought up to \$4,000. Then in order to expedite enactment of our bills the District of Columbia Retired Teachers Association agreed to drop the figure to \$3,600. This figure should not seem unreasonable. Senator Yarborough introduced S. 2184, a bill to increase annuities payable to certain annuitants from the civil service retirement and disability fund, recognizing the need for annuities of \$3,801 and above to be raised 3 percent or \$3,915 and more. The date of S. 2184 was September 26, 1963.

The District of Columbia Teachers Retirement Act contains a clause that prohibits any money in the fund from being spent for any purpose other than to pay the annuities covered under this act. Actuaries told officers of the District of Columbia Retired Teachers Association several years ago that the retirement fund was in a healthy condition. Even though annuitants were granted a 5 percent increase as of January 1963, the active teachers in the District of Columbia public schools were granted a substantial increase in salary at the same time and therefore are making larger contributions to the fund. Therefore, the District of Columbia teachers retirement fund should still be in a healthy condition.

The District of Columbia Retirement Division furnished the following table of comparative costs of teachers annuities compiled from the pay period ending July 31, 1964:

*Teachers annuities—20 years or more creditable service*

	Number involved	Present annuity total	Proposed annuity total	Annual cost
I. If minimum of \$4,000 per annum is established:				
(a) Retired before Oct. 1, 1956.....	549	\$1,677,864	\$2,196,000	\$518,136
(b) Retired after Oct. 1, 1956.....	132	455,340	528,000	72,660
Total.....	681	2,133,204	2,724,000	590,796
II. If minimum of \$3,600 per annum is established:				
(a) Retired before Oct. 1, 1956.....	448	1,295,568	1,612,800	317,232
(b) Retired after Oct. 1, 1956.....	63	189,600	226,800	337,200
Total.....	511	1,485,163	1,839,600	354,432

This table is included only as a rough guide to the present cost of bringing up low annuities. The figures above those retired prior to October 1, 1956, can never increase, of course; and, in fact have already decreased due to deaths.

I will not take your time to enumerate all the problems that come with increasing age. These you know full well. However, teachers in the District

of Columiba public schools have not been eligible for social security. Many of the older ones retired before the opportunities offered by social security were well know. Neither were they able to accumulate very much because salaries were so low when they were teaching. Medicare will undoubtedly help a great many when its benefits are available. But medicare will not pay rent, or taxes, buy food, or clothing, pay for domestic help, a factor which becomes more necessary as one grows too old to do the many household tasks he formerly performed.

Each month many retirees are wondering how long can they continue to pay their way before they have to ask help from relatives (who have their own financial problems) or perhaps even from public assistance. Either case is very humiliating for people who have always been able to care for themselves. To receive an increase in annuity makes one feel "I contributed to that fund when I could and now my years of faithful service to the schools is being appreciated."

It is hoped that the foregoing statement will prove helpful as you study this bill and decide on the measure that will be of greatest help.

Senator YARBOROUGH. Miss Moore and Miss Samuel, it is my understanding that this matter of your retirement is a matter properly before the District of Columbia Committee and that we have no jurisdiction. However, in light of your request, I want to ask counsel of each staff to check to see if we have any jurisdiction over it and, if so, we will look into it thoroughly.

I want to congratulate you on your conciseness here. You have given us a good lesson here in how to put a lot of material into one and a quarter pages. I think each of you must have been a very good teacher.

Mr. PASCHAL. In connection with your statement relative to the Retired Teachers Association, having been a teacher and administrator myself for some time, I would like to ask the ladies, on the retired teacher setup of which the District of Columbia will make a study, do you come under social security?

Miss SAMUEL. No, sir; we do not. We have our own retirement law which is almost like the Government law. The chief difference between our law and the civil service law is that the District government is required annually to put in a certain amount of money to keep the fund actuarially sound.

In other words, when we get a pay raise, that increase in retirement is figured in our pay raise, also.

Senator FONG. If we took care of the retired teachers of the District of Columbia, what other groups will not be included?

Miss SAMUEL. To my knowledge there is no other group.

Miss MOORE. It is the only group that we can think of that would not be considered this year.

Senator FONG. We will not be discriminating against any other group?

Miss SAMUEL. No, sir, not to my knowledge, and I think Mr. Gulledge can answer that, too.

Miss MOORE. In the accompanying statement, Mr. Chairman, there is a statement to the fact that we do not come under social security. I did not have time to type as many copies of this as I should have. I am not sure whether you have as many as I have or not, but I can furnish more if that would be helpful.

Senator YARBOROUGH. Are there any further questions by counsel?

Let me ask you about your retirement.

In my own State, we had a teacher retirement system long before we had a State employee retirement system. The teachers worked

early and had their own independent retirement system and generally it pays more than social security and more than the average State employee retirement annuity. Is that true of the teachers in the District?

Miss MOORE. It is more than social security. Ours is very similar to the Federal. It started around the same time. The only difference is in the early days teachers paid a larger percentage into their retirement fund than the Federal employees.

Senator YARBOROUGH. Thank you very much.

We have statements here. It has been asked that these statements be placed in the record. They have waived coming to testify personally. These statements are from Senator John Sparkman; Senator Frank Church; Senator Frank E. Moss; Senator Maurine B. Neuberger; Senator Thomas H. Kuchel; Senator Peter H. Dominick; Mr. Dillard Lasseter, executive director, Organization of Professional Employees, Department of Agriculture, and NASCOE; Mr. John G. Brady, National Association of Internal Revenue Employees; and Mr. John Snyder, president, National Association of Postmasters.

We will order all of those printed in the record.

(The statements referred to follow:)

STATEMENT OF HON. JOHN J. SPARKMAN, A U.S. SENATOR FROM THE STATE OF ALABAMA

Mr. Chairman, for a long time I have been concerned with the plight of retired Government employees. Their annuity benefits just have not kept pace with rising living expenses and certainly not with rising salary levels.

Because of my concern, I earlier introduced S. 1685 to increase annuities by 10 percent on the first \$3,000 of annuity income and 5 percent on incomes above \$3,000. However, I am here today to express my full support for the House approved bill, H.R. 8469. In many, many cases H.R. 8469 will not be as helpful as my proposal would have been, but for some cases it goes beyond the increases authorized by my bill. H.R. 8469 is an excellent bill, as far as it goes. It lifts substantially the incomes of retirees. I urge its approval by the subcommittee and I will support it on the Senate floor. However, I believe that we must yet go further toward lifting the incomes of retirees and survivors. I shall support further legislation for this purpose and I hope budgetary considerations will be such that the legislation will have broad executive and legislative support.

In the meantime, I urge early and favorable Senate action on H.R. 8469.

STATEMENT OF HON. FRANK CHURCH, A U.S. SENATOR FROM THE STATE OF IDAHO

It is hard to believe. An income of less than \$3,000 puts a family in the poverty classification, according to Government figures. And yet 75 percent of the more than 700,000 civil service retirees receive less than \$3,000 a year in retirement annuities.

What is more, of 205,000 survivors of annuitants, only 1 percent receive annuities exceeding \$3,000. All over this country can be found men and women who have worked for the Government through some mighty lean years—years when salaries of \$200 and \$300 a month were the rule rather than the exception—who stayed on in the expectation of an ample retirement income.

Inflation has eroded the income of us all, but it has been particularly cruel to those who retired before 1956. Retirement annuities have been improved five times since 1926, each time making adjustments for those previously retired to equalize them with the new retirees. But this was not done in 1956, and ever since civil service retirees have been falling further behind.

I know personally many of the civil service retirees in Idaho. As I talk with them, I keep thinking back to the days when they were at work. The work was hard, there were fewer hands to share the load, and the pay was

lower in comparison to the national average. And now how difficult it is for them to make ends meet. It is very easy for me support the bill before you, H.R. 8469.

This bill would, among other things, increase the annuities of those retiring before 1956 by at least 10 percent. Those retiring after 1956 would receive a total increase of more than 5 percent. Automatic cost-of-living increase would be computed more frequently.

This is a good, humane bill. It will help to meet the responsibility of the Government toward those who have served it well.

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STATEMENT OF HON. FRANK E. MOSS, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman, these hearings are a great satisfaction to me. I have supported bills to increase civil service retirement annuities ever since I came to the Senate, and in this Congress am a cosponsor of S. 1037, the bill introduced by Senator Montoya. I am glad to again affirm my insistence that increases are due—and to testify in favor of the measure already passed by the House, and which I will do everything I can to get through the Senate.

The civil service retiree has been one of the most neglected citizens in America. We have provided several substantial increases for the men and women now working in the Federal Government under the civil service system in the past few years—but it has been almost 10 years since we did anything for the retiree. I recognize that those people now working in the Federal Government must be paid salaries commensurate with their abilities, and comparable with those received by people in private industry doing the same type of work. I have stood for adequate salaries—must people in the working world are raising families and educating children, and they cannot be expected to serve their Government year in and year out at salaries which do not allow them to meet minimal commitments. But the people who have retired have problems equally as great. They have reached the time of life when their doctor and hospital bills are soaring, and when many of them also need nursing and home care. A substantial number worked in the Federal Government when salaries were much lower than they are now, and their pensions, based on those salaries, are equally low. They are completely inadequate to meet today's living costs.

The bill passed by the House to increase civil service retirement pensions is equitable and fair. It gives special consideration to the employee who retired when salaries were lower. It takes into consideration the factors which went into estimating retirement incomes in the first place. It also considers the elderly widows of employees or annuitants who passed away when there was no survivor protection under the Civil Service Act.

It is by no means the complete answer to the financial problems our retirees experience, but it will improve their status and enable them to live with a little more decency and security.

The House Post Office and Civil Service Committee, and the House itself, have provided the impetus for an increase in retirement benefits for the retired civil service employee. We must not lose this momentum. I sincerely hope that this subcommittee, after careful consideration of all aspects of the House-passed bill, will report a fair and equitable measure to the Senate so we may take final action before this session adjourns.

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

Mr. Chairman, I actively and fully support H.R. 8469 which passed the House of Representatives with a favorable vote of 394 to 0. This much-needed legislation provides increases in retirement and survivorship benefits for postal and Federal employees. I support this legislation in full and urge its prompt enactment.

Inflation is the greatest enemy of retired persons and this is especially true for a total of some 700,000 retirees and survivors of the Federal Government. The Consumer Price Index has risen by more than 17 percent since 1955. While Congress has been generous with providing pay increases for postal and Federal employees, much less has been done for the retired.

Retirees and their survivors need help now. A longer wait would find them in worse straits. Retirees as a group have a very short future. Delay while waiting a report of a commission to be submitted at some future date only works extreme hardship.

It is all too easy to overlook the needs of the retired and fail to remember that they were once active Federal employees who were responsible for the administration of our Government and providing needed services for our country.

H.R. 8469 provides an approximate 11-percent increase in annuities to those who retired on or before October 1, 1956, and an approximate 6-percent increase to those whose annuities began later. A slightly larger percentage increase is provided survivors—15 percent or \$10 per month, whichever is less—for survivor annuitants whose spouse retired prior to April 1, 1948.

Congress in 1962 adopted legislation providing for automatic annuity increases based on the cost-of-living index. The mechanics for adjusting annuities to reflect living costs is improved by this legislation, and the time element shortened by using the monthly price index instead of an annual average. In this way annuities in the future will more accurately and promptly reflect the cost of living.

Annuity increases are desperately needed by retired Federal employees. It is inconceivable that when our Nation is devoting so much effort to the war on poverty retired Federal and postal employees would be neglected, and left to live far below the poverty level.

STATEMENT OF HON. THOMAS H. KUCHEL, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

I am pleased to offer my support to H.R. 8469. This bill will aid approximately 700,000 Federal retirees and survivors with a long overdue increase in their annuities. These annuities have been for the most part very meager and inflation has melted them down in buying power.

In my own State of California, there are more than 70,000 of these retirees. I know their plight and while I also know H.R. 8469 is not the full answer to that problem it will give great encouragement.

Because of inflation and because so many of these men and women retired when salaries were low they are now for the most part forced to live in very substandard ways.

The following figures from the Civil Service Report of 1964 tell the story as to what these civil service annuitants and survivors receive:

Monthly rate of annuity	Employee annuitants	Survivor annuitants
Under \$50.....	49,544	78,252
Under \$100.....	125,450	163,274
Under \$150.....	211,501	190,773
Under \$200.....	299,751	200,400

NOTE.—Total getting less than \$200 per month—500,151.

I respectfully urge you and the members of the Senate Committee on Post Office and Civil Service to give your most favorable consideration and help to these more than 500,000 men and women who have served their country well and who are receiving much less than the established poverty level. They are depending on Congress for redressing their plight. I hope we will.

STATEMENT OF HON. PETER H. DOMINICK, A U.S. SENATOR FROM THE STATE OF COLORADO

I would like to take this opportunity to express my strong support for the bill now before this subcommittee. H.R. 8469 provides a more sensitive monthly indicator for the adjustment of the cost-of-living principle established in 1962, and it provides for greater percentage increases for older retirees in order to bring about a more reasonable overall relationship between the pre-1956 and post-1956 retirees. I think this is an equitable plan, worthy of this subcommittee's approval and the approval of Congress.

The continuing rise in the cost-of-living in this country has a seriously depressing effect on people who are tied to a fixed annuity. No one is more aware of this than the members of this subcommittee. I believe that it is incumbent on this Congress to give assurance to the civil service retirees that they can expect to maintain their standard of living despite the increases in the cost-of-living which occur more rapidly than adjustments can be made under the present law. It is a sad spectacle to consider the aged person whose bills get bigger and bigger while his monthly check gets comparatively smaller and smaller. The small, occasional luxuries which the retirement might have afforded gradually become nonexistent.

The problem of the decreasing value of retirees' annuities has been of concern to me for many years. One of the first bills that I introduced when I first came to Congress as a Member of the House of Representatives in the 87th Congress was H.R. 4899. My bill would have increased by 20 percent the amount of annuities not in excess of \$1,500, and by 10 percent of the remainder. We were successful in getting some improvements to the system in the 87th Congress, but additional improvements are absolutely mandatory. The present legislation will provide further refinement and improvement to the Federal civil service retirement system.

I am not making a long statement in support of this legislation, but it is not because I believe the matter to be unimportant. On the contrary, this is a most important piece of legislation, the record already overwhelmingly supports it, and I believe that favorable action should be taken with no unnecessary delay.

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STATEMENT BY DILLARD LASSETER, LEGISLATIVE COUNSEL, ORGANIZATION OF PROFESSIONAL EMPLOYEES, DEPARTMENT OF AGRICULTURE

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 the Government's policy toward, or mechanism for, adjusting the annuities of annuitants. Certainly this is a subject of great potential concern for thousands of career servants who are nearing retirement, as well as those now retired.

It is our privilege to appear before this committee in support of an appropriate increase in annuities for retired employees of the Federal Government. We wish to commend this committee for its interest in the annuity levels of these retirees as evidence by the scheduling of hearings on the subject.

The Government has evidenced its vital interest in the overall well being of its employees in many ways in recent years. For example, health insurance and life insurance programs have been established and there have been several adjustments in salary levels recently in recognition of either advances in living costs or the need to place Government salary levels on a more comparable basis with equivalent positions in private industry. This is as it should be. As a major employer, and in many ways a model employer, of a vitally important concentration of scientific and executive capability, the Government should exercise an aggressive role of leadership in matters pertaining to salaries, retirement, working conditions, and related subjects.

But has the Government been equally concerned and responsive toward the problems of the approximately 700,000 retirees? We believe there is room for improvement in the Government's performance in this area. The adjustments made in annuities have come after considerable delay, and we doubt that in total they have provided sufficient recognition for advances in costs of living. The annuity for many of these retirees surely is on the basis of salary levels considerably below that characteristic of our present economy. It is likely that the incomes for many of these people are near or below the levels characterized recently by the Government as constituting poverty. In an expanding economy it is particularly difficult for many surviving spouses when their annuity is reduced by 45 percent below a level of income that previously was minimal, or even inadequate, for two persons. Also, our burgeoning economy can easily sweep by many of these people when their incomes remain static, or nearly so, for long periods of time.

Therefore, the Organization of Professional Employees of the Department of Agriculture endorses an appropriate adjustment in the annuities of retirees consistent with the increases made in Federal salary levels in recent years. Perhaps some system could be developed whereby those who retired some years ago, before they benefited from adjustments in salary levels, would receive a larger increase in their annuities. This may be more responsive to need than would a flat percentage increase for all retirees. Also, we would suggest that future adjustments in annuities be tied to current increases in Government salary levels, and be made when salaries are adjusted. This would eliminate the timelag associated with cost-of-living determinations, separate hearings, and separate action by the Congress. Of course, if in the judgment of the Congress action in this matter should be taken, it should be taken promptly. The longer the delay, the more grievous the need and the initial cost becomes larger.

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

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

Mr. Chairman and members of the subcommittee, I am John G. Brady, legislative chairman of the National Association of Internal Revenue Employees, accompanied by George Bursach, executive secretary-treasurer. Our association of over 27,000 members strongly urges and recommends increases to our civil service employees retirees.

During our national convention in September 1964, at Denver, Colo., we adopted the following theme: "For what shall we strive in 1965—never to forget our Internal Revenue retirees."

Our association has given considerable thought and study to the retiree's "plight."

It isn't only the economic pressure that the retiree finds himself in and that, of course, is his first concern in considering the disparity, growing monthly, between the value of the dollar represented in his annuity check and the value of the dollar as it decreases with each Bureau of Labor Statistics report. This fact is widely recognized, but because of an arbitrarily set formula no annuity adjustment can be made until a rise in living costs shows a 3-percent adjustment formula.

A factor not generally recognized except by the retiree experiencing it is the anxiety and duress and mental anguish the retiree is almost continually and constantly subjected to as he notes the growing disparity between his annuity payment and the volume of necessities it will provide for him. This anxiety, it must be agreed, has an adverse effect, if not on health, at least on the enjoyment of retirement years so well earned. I submit, Mr. Chairman, that a continuing trend of disparity between rising living costs and earned annuity may have an effect on our retirees that is not pleasant to contemplate.

It seems only just and equitable that an increase be provided in annuity benefits for the retired Federal employees who have devoted the best years of their life to the service of our great country.

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

Mr. Chairman and members of the committee, my name is John P. Snyder, and I am executive director of the National Association of Postmasters of the United States. While serving in this capacity, I am on administrative leave as postmaster at Oconomowoc, Wis. In the absence of our president, David R. Trevithick, postmaster of Salt Lake City, Utah, I am submitting this statement for the record.

On behalf of the 33,000 postmasters of the Nation who are all interested in a more advantageous retirement program, I would like to request that this committee report favorably and immediately H.R. 8469 which was unanimously passed by the House of Representatives. Our entire membership is solidly behind this bill.

Thank you, Mr. Chairman. We do appreciate the opportunity of presenting this statement.

Senator YARBOROUGH. Before our executive sessions, we will have to have the record printed; but while we are waiting for the record to be printed I want counsel, both the majority and minority, to work together in coordination on this. Please check each of these statements and see whether any new point has been raised in any of them.

Please let us have an opportunity to study any new recommendations in these statements. I understand generally they support the legislation but in order to expedite the hearings, they have agreed to put in their written statements.

Does anyone else in the room wish to be heard?

We will declare the hearings adjourned.

The record will be kept open until 5 o'clock Tuesday afternoon for any additional statements that any person might desire to file. Normally, we might leave the record open longer, but we understand the Government Printing Office is terribly burdened with printing at this time with reports and legislation, so the sooner we close the record, the sooner we can get the printed record back and start in executive session on the bill.

I thank all of you who have appeared here for the concise and informative nature of the statements you have presented orally and in writing.

The hearings are adjourned.

(Subsequently the following material was submitted for the record:)

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

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, etc. Our national organization is part of the AFL-CIO and Government Employees' Council and we are the sole national bargaining representative of the 39,000 mail handlers of the mail handler craft in the Post Office Department.

If I may, at this time, I would like to express our national organization's gratitude to the many Members of Congress who have introduced bills, which, if enacted, would lighten the load of our retired postal employees, plus our classified people, who, I understand are close to 500,000 employees. Many of the 500,000 employees have monthly benefits of less than \$100. Surely, members of this subcommittee, you will agree that said \$100 monthly is not enough to maintain even close to our normal American standard of living.

Our national organization would like to go on record, at this time, in support of an increase of at least 10 percent to all employees under the \$3,000 ceiling. Many mail handlers who have retired since World War II, retired on about \$1,500 or \$1,600 a year.

As we all fully realize our mail handlers did pay into their retirement fund the sound dollar of that time, and presently, this same dollar has lost much of its purchasing power.

I have said this before many committees, and I repeat it today. If ever a group of people (mail handlers) deserve to be called the forgotten people, our people should have first choice. At the present time we are the lowest paid employees who move the mail in the postal service.

I urge you, Mr. Chairman and members of this committee, to report out a bill that will increase the annuity of our people, plus all retired employees and employees who are on the verge of retiring from Government service, of at least 10 percent.

As Congressman Matsunaga, of Hawaii, pointed out before the committee, "employees who get less than \$3,000 should be given preference because their need is greatest," is fully endorsed by your writer.

On the status of our retirement fund, I have sat in on many meetings of our AFL-CIO labor unions, plus the Civil Service Commission meetings pertaining to the matter of fiscal soundness of our retirement fund. The Board of Actuaries over the years has felt that our fund should be actuarially sound.

The big problem pertaining to our retirement fund has been the absence of a strong and consistent Federal policy on replenishing the retirement fund, whereas the same could meet today's requirements, plus the needed improvements. For a long period of time, Congress has not appropriated the Government's share to our retirement fund. Our retirement fund started in 1920. Our people have watched their contributions increase from 2½ to 6½ percent of their base pay, and I say we are all glad to pay our share.

Title II of H.R. 9 provides, starting July 1965, agency contributions to the retirement fund will be increased by one-half of 1 percent of basic payroll each year, until the total additional contributions reach 5 percent by 1975. Our national organization urges you, Mr. Chairman and members of your committee, to approve this proposal. Full benefits for our employees upon retirement has been our organization's goal for a long period of time. Title III of H.R. 9 provides for, after 30 years of service, age 55, the employee be permitted to retire. I ask you, Mr. Chairman and members of this committee, to give favorable consideration to title III.

On a survivor annuity formula: Title IV of H.R. 9 would solve this problem by increasing the annuity available to survivors to 75 percent of the original retiree.

Our national organization urges you again, gentlemen, to report this proposal out favorably.

In closing, Mr. Chairman and members of this subcommittee, I want to say that I am indeed grateful to you for allowing your writer the privilege of appearing before you whereas I could give you the thinking of our national organization.

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

Mr. Chairman and members of the committee, my name is Everett G. Gibson and I am the president of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO, with 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.

We wish to thank you, Mr. Chairman and members of this committee, for scheduling hearings on H.R. 8469 which has passed the House of Representatives by a vote of 395 to 0.

We are deeply concerned as to the need for an increase in the annuities of all retired employees and survivors of employees and retired employees presently on the retirement rolls, who are the "forgotten people" in the United States today. We endorse H.R. 8469 as passed by the House of Representatives.

We were pleased to note that the Civil Service Commission and the Bureau of the Budget have withdrawn their objections to section 1 of H.R. 8469 and now approve the increases for retired employees and their survivors. We also endorse the provisions of section 2, which will provide an increase in survivors' benefits from 55 to 60 percent for survivors of all future retirees.

Mr. Chairman, our organization is of the opinion that fairplay should apply to all retired employees who have served faithfully through the years and that section 2 of H.R. 8469 should be amended to provide 60 percent of the annuities for the survivors who are now receiving 50 percent of the annuities of their deceased spouses.

Mr. Chairman, it is our sincere hope that this committee will take immediate action on H.R. 8469 so that it will be enacted during this session of Congress, so that the needed increase will become effective for the retired employees and survivors annuitants.

We want to thank you, Mr. Chairman and members of the committee, for this opportunity to present the views of our organization on this most important legislation. Thank you.

## STATEMENT OF FLOYD E. HUFFMAN, PRESIDENT, NATIONAL RURAL LETTER CARRIER'S ASSOCIATION

My name is Floyd E. Huffman. I am president of the National Rural Letter Carriers' Association, an organization which exclusively represents regular, retired, and substitute rural carriers. I appreciate the opportunity to submit this statement to wholeheartedly endorse and strongly recommend the earliest possible enactment of legislation which will provide for increasing civil service retirement annuities.

We commend Senator Gale W. McGee Democrat of Wyoming, chairman of Subcommittee on Retirement, Senate Post Office and Civil Service Committee, for prompt scheduling of hearings as well as Senator Ralph W. Yarborough Democrat of Texas, ranking majority member of this subcommittee, for conducting the hearings in absence of Senator McGee on consideration of H.R. 8469 providing retirement benefits which passed the House of Representatives on August 3, 1965.

Considerable statistical data is already available to the committee and has been commented upon by others who have given testimony. The need for an annuity increase is well established. Simple justice demands action in order to provide financial relief to those on our retired rolls who are hard pressed to cope with the rising costs of living on an inadequate fixed income.

Public Law 87-793 granted a 5-percent increase in annuities effective January 1, 1963. In addition it amended the Retirement Act to provide cost-of-living adjustments based on rises in the Consumer Price Index. Under this provision the Civil Service Commission determines annually, after each January 1, the percentage change in the index and is authorized to effect increases in annuities as of April 1 of any year after the percentage change in the index has equaled a rise of at least 3 percent. Such increases would then apply to all annuities which commenced earlier than January 2 of the preceding year. This is a significant improvement in the Retirement Act because it does not recognize the need for upward adjustment in annuities in order to preserve the purchasing power of the annuity dollar.

Worthy as this amendment is, however, it does not in any way take cognizance of, or provide any formula for financial relief for those who now receive totally inadequate annuities. The facts are that many annuities are so low that it is just not possible to apply any formula tied to the Consumer Price Index. This applies particularly to those who retired years ago and to many survivor annuitants. The salary base used to determine their annuities at the time of retirement just cannot be reconciled on a cost-of-living basis under the price index. It must be recognized that what we call the cost-of-living index cannot be used to determine the adequacy of annuity income. This index is meaningless to large numbers of persons on the retirement rolls who attempt to stretch the dollars they receive each month to meet the payments required to secure the necessities of living. The only way the financial plight of these people can be alleviated is to increase the amount of annuity they receive.

The report of the U.S. Civil Service Commission on civil service retirement, table Ag, page 12, for the year ending June 30, 1964, discloses that there are 482,131 employee annuitants. Almost 50,000 of this number receive an annuity of less than \$50 per month. Of what value is the automatic increase formula in Public Law 87-793 to this group who have annuity income far below the poverty level? Of our employee annuitants, 125,000 receive less than \$100 per month. For the limited number in the group who receive the maximum, \$99 per month, it still is a meager annuity to sustain themselves with but the bare necessities of life. Almost 300,000—63 percent of our employee annuitants—are receiving less than \$200 per month.

This same Commission report discloses that there are 206,000 survivor annuitants. Their plight is graphically highlighted by the report which discloses that 78,000 receive less than \$50 per month and 163,000 receive less than \$100 per month.

Mr. Chairman and members of the committee, much additional statistical data could be presented. It seems unnecessary, however, to attempt to document the need for an annuity increase with any data other than which we have noted. The amount of annuity income being received by the major majority of those on retirement rolls is just not sufficient to permit a decent American standard of living. The figures speak for themselves—for all too many even a subsistence annuity income is lacking.

The National Rural Letter Carriers' Association strongly recommends prompt action by the Congress to provide some measure of relief of those annuitants and survivor annuitants whose meager retirement checks grow less with advance in living costs. Each month's delay brings added financial difficulties for necessities of life. The U.S. Department of Labor-Consumer Price Index released on July 29, 1965, for month of June, shows additional 0.5 percent increase.

The provisions of H.R. 8469 would provide such needed adjustments in part for those whose need is urgent, and deserved. This association particularly endorses the provisions which provide—

A 6.5-percent increase, plus a cost-of-living increase for all those who retired prior to October 1, 1956,

A 1.5-percent increase, plus a cost-of-living increase for all those who retired after October 1, 1956,

An increase of 15 percent or \$10 per month, whichever is lesser, for survivor annuitants whose spouses retired prior to April 1, 1948.

That survivorship annuities be set at 60 percent of the earned annuity of the employee at the time of retirement (effective for those who retire on and after the date of enactment).

Change the procedure for granting automatic annuity increases in line with the cost-of-living increase as determined by the Consumer Price Index. Present law provides for these automatic increases but the procedure is based on an annual evaluation each January, with increases of 3 percent or more in the index resulting in annuity increases of the same amount of the CPI increase (rounded off to one-tenth of 1 percent) being made effective as of April 1. This results in warranted increases (such as the present justified 3.5 percent under this formula, which are reflected in the increases proposed by this bill) being delayed as much as a full year. The amendment proposed in the bill would grant automatic annuity increases on the first day of the third month after the CPI reflects a rise of 3 percent or more for a period of 3 continuous months.

We are urging this action fully cognizant that the present financial condition of the retirement fund discloses an actuarial deficiency estimated at approximately \$39 billion. The annual report of the Board of Actuaries of the Civil Service Retirement System as reported in House Document No. 48, issued January 1965, stresses the need for additional Federal contributions to maintain fiscal soundness of the retirement system.

This is unquestionably an important and pressing matter. A formula to accomplish this purpose should undoubtedly be legislation enacted by this Congress.

From the beginning of the retirement system, employees have contributed the needed rate as established by law to cover the benefits being provided by the Retirement Act. It has been the failure of the Government to make payment of its share which has created the present actuarial deficit of the retirement fund. History discloses that until 1957 the Government contributions were on a "now and then" basis which was too little and too late.

According to the report of the Civil Service Commission for the fiscal year ending June 30, 1964, the estimated normal operating cost of the retirement system is 13.5 percent of the payroll exclusive of the unfunded liability resulting from enactment of Public Law 88-426 approved August 4, 1964. Thus current income of 13 percent, though approximating normal operating cost, does not take care of the interest or reduce the unfunded accrued liability which was created primarily during those years when the Government's contribution was not made or was made in an amount insufficient to meet the increasing liability.

Additional funding is undoubtedly required. We do feel that the Government contribution should be increased to assure continued financial integrity of the retirement fund.

Mr. Chairman, we appreciate this opportunity of submitting this statement for consideration by your committee. We especially urge early action on legislation to provide annuity increases and sincerely hope that the recommendations which we have noted will receive consideration and be made a part of any bill reported.

## STATEMENT OF ANDREW KENNY, BALTIMORE, MD.

It appears that H.R. 8469 providing for annuity increases discriminates against certain retirees now receiving small annuities under the lower rates in effect prior to October 1, 1956. The annuity commencing date seems to be the wrong guide to equitable distribution of the increase.

For example, one who had to leave the service in September 1956 at age 60, but entitled to an annuity in September 1958 at age 62 would not receive the more generous increases provided in H.R. 8469. This is because his annuity commenced after October 1, 1956, although it was computed on the lower pre-1956 rates in effect when he was separated.

It is true that the act of June 25, 1958, provided a 10-percent increase, but only to those who were already receiving an annuity on August 1, 1958. Retirees placed on the rolls since August 1, 1958, based on service prior to October 1, 1956, did not get the 1956 or the 1958 increase and now again are denied the higher percentage because their smaller annuities commenced after October 1, 1956.

To eliminate this injustice, reference to commencing date before or after October 1, 1956, should be deleted from H.R. 8469. The date of separation governs the annuity rate, so the higher percentage should be directed to those annuitants who were separated, and subject, to the lower annuities prior to October 1, 1956. This would accomplish the stated purpose of Congress to apply the higher increase to the smaller annuities. It is not likely that the 60-year-old employee illustrated above, or others like him, added any worthwhile outside earnings to his small retirement income.

A copy of H.R. 8469 is attached with suggested changes. These changes would add very little to the cost of the bill and would assure fair treatment to those annuitants within the bill's effective date who were excluded from the 1956 and 1958 increases.

It is requested that this statement be made part of the printed record regarding H.R. 8469 before your subcommittee.

Unless H.R. 8469 is amended, the increases would be like this :

Annuitant separated	Annuity commenced	Increase provided in			Total (approximate) (percent)
		1956 (percent)	1958 (percent)	H. R. 8469 (percent)	
After Oct. 1, 1965.....	After Oct. 1, 1956.....	20	None	5.5	25.5
Before Oct. 1, 1956.....	Before Aug. 1, 1958.....	None	10	10.5	20.5
Before Oct. 1, 1956.....	After Aug. 1, 1958.....	None	None	5.5	5.5

This does not appear to be the result that Congress intended.

(Whereupon, at 11:20 a.m., the hearings were adjourned.)

