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IMPROVED LIFE INSURANCE BENEFITS

GOVERNMENT

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON RETIREMENT, INSURANCE,
AND HEALTH BENEFITS

OF THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 464

A BILL TO AMEND TITLE 5, UNITED STATES CODE, TO
PROVIDE ADDITIONAL GROUP LIFE INSURANCE AND AC-
CIDENTAL DEATH AND DISMEMBERMENT INSURANCE
FOR FEDERAL EMPLOYEES, AND FOR OTHER PURPOSES

MAY 1 AND 12, 1967

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HEARINGS

BEFORE THE

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IMPROVED LIFE INSURANCE BENEFITS

MONDAY, MAY 1, 1967

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

The subcommittee met at 10 a.m. in room 346, Cannon Building, Hon. Dominick Daniels (chairman of the subcommittee) presiding.

Mr. DANIELS. The Subcommittee on Retirement, Insurance, and Health Benefits will now come to order.

The Subcommittee on Retirement, Insurance and Health Benefits is convened this morning to take testimony with respect to H.R. 464, sponsored by the Chair which provides for improvements in the insurance protection of Federal employees and to improve the financial condition of the fund created by the Federal Employees Group Life Insurance Act of 1954.

This legislation proposes substantial changes in the program which has remained comparatively unchanged since its enactment. It is identical to that which failed in the final enactment after being adopted by the Congress last year and is a companion bill to S. 271, recently reported favorably by this subcommittee's counterpart in the Senate.

H.R. 464 proposes amending the Federal employees' group life insurance program to increase the amounts of insurance coverage and to revise the employee-employer ratio of sharing premium costs.

The bill would provide—

(1) An increase of approximately one-third in the basic coverage of the majority of employees;

(2) An increase of the maximum amount of coverage from \$20,000 to \$40,000;

(3) An additional \$2,000 of insurance which will not be affected by the reduction after retirement;

(4) A change in the cost-sharing ratio from its present 2 to 1, to a new ratio of 3 to 2, the employee thus paying 60 percent and the Government paying 40 percent of the level cost.

I would hope that the administration program this year will be more receptive to our endeavors in this area of fringe benefits.

Without objection, the text of H.R. 464 and the administrative reports from the Civil Service Commission and the Bureau of the Budget will be printed in the record at this point.

(The above-mentioned material follows:)

90TH CONGRESS
1ST SESSION

H. R. 464

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1967

Mr. DANIELS introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To amend title 5, United States Code, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That (a) section 8704 (a) of title 5, United States Code, is
- 4 amended to read as follows:
- 5 “(a) (1) An employee eligible for insurance is entitled
- 6 to be insured for an amount of group life insurance plus an

I

2

- 1 equal amount of group accidental death and dismemberment
 2 insurance, in accordance with the following schedule:

**If annual pay is—		The amount of group life insurance is—	The amount of group accidental death and dismemberment insurance is—
Greater than—	But not greater than—		
0	\$750	\$1,000	\$1,000
\$750	1,500	2,000	2,000
1,500	2,250	3,000	3,000
2,250	3,000	4,000	4,000
3,000	3,750	5,000	5,000
3,750	4,500	6,000	6,000
4,500	5,250	7,000	7,000
5,250	6,000	8,000	8,000
6,000	6,750	9,000	9,000
6,750	7,500	10,000	10,000
7,500	8,250	11,000	11,000
8,250	9,000	12,000	12,000
9,000	9,750	13,000	13,000
9,750	10,500	14,000	14,000
10,500	11,250	15,000	15,000
11,250	12,000	16,000	16,000
12,000	12,750	17,000	17,000
12,750	13,500	18,000	18,000
13,500	14,250	19,000	19,000
14,250	15,000	20,000	20,000
15,000	15,750	21,000	21,000
15,750	16,500	22,000	22,000
16,500	17,250	23,000	23,000
17,250	18,000	24,000	24,000
18,000	18,750	25,000	25,000
18,750	19,500	26,000	26,000
19,500	20,250	27,000	27,000
20,250	21,000	28,000	28,000
21,000	21,750	29,000	29,000
21,750	22,500	30,000	30,000
22,500	23,250	31,000	31,000
23,250	24,000	32,000	32,000
24,000	24,750	33,000	33,000
24,750	25,500	34,000	34,000
25,500	26,250	35,000	35,000
26,250	27,000	36,000	36,000
27,000	27,750	37,000	37,000
27,750	28,500	38,000	38,000
28,500	29,250	39,000	39,000
29,250	-----	40,000	40,000

- 3 “(2) In addition to the insurance referred to in para-
 4 graph (1), each employee insured under this chapter shall
 5 have additional group life insurance and accidental death
 6 and dismemberment insurance in the amount of \$2,000.”.

- 7 (b) Section 8704(b) of title 5, United States Code, is
 8 amended—

- 9 (1) by striking out “Full amount shown in the
 10 schedule in subsection (a) of this section.” wherever
 11 occurring therein and inserting in lieu thereof “Full
 12 amounts shown in subsections (a) (1) and (2) of this
 13 section.”;

3

1 (2) by striking out "One-half the amount shown
2 in the schedule in subsection (a) of this section."
3 and inserting in lieu thereof "One-half of the amount
4 shown in subsection (a) (1), and one-half the amount
5 shown in subsection (a) (2), of this section."; and

6 (3) by striking out, in the last sentence thereof,
7 "the amount shown in the schedule in subsection (a)
8 of this section" and inserting in lieu thereof "the aggre-
9 gate of the amounts shown in subsections (a) (1) and
10 (2) of this section".

11 SEC. 2. Section 8705 (a) of title 5, United States Code,
12 is amended by inserting " (including additional group life and
13 accidental death insurance) " immediately after "group acci-
14 dental death insurance".

15 SEC. 3. (a) The first sentence of section 8706 (b) of
16 title 5, United States Code, is amended by inserting " (in-
17 cluding additional life insurance) " immediately after "life
18 insurance".

19 (b) The third sentence of such section 8706 (b) is
20 amended by inserting " (other than additional group life
21 insurance) " immediately after "life insurance".

22 (c) Section 8706 (c) of title 5, United States Code, is
23 amended by inserting " (including additional life insurance) "
24 immediately after "life insurance",

1 SEC. 4. Section 8707 of title 5, United States Code, is
2 amended to read as follows:

3 **“§ 8707. Employee deductions; withholding**

4 “During each period in which an employee is insured
5 under a policy of insurance purchased by the Civil Service
6 Commission under section 8709 of this title, there shall be
7 withheld from the pay of the employee, as his share of the
8 cost of his group life insurance, accidental death and dis-
9 memberment insurance, and his additional insurance, an
10 amount equal to 60 per centum of the level cost of the in-
11 surance provided, as determined by the Commission. The
12 amount withheld from an employee paid on other than a
13 biweekly basis is determined at a proportional rate adjusted
14 to the nearest cent.”.

15 SEC. 5. Section 8708 (a) of title 5, United States Code,
16 is amended to read as follows:

17 “(a) For each period in which an employee is insured
18 under a policy of insurance purchased by the Civil Service
19 Commission under section 8709 of this title, a sum equal to
20 40 per centum of the level cost of the insurance provided, as
21 determined by the Commission, shall be contributed from
22 the appropriation or fund which is used to pay him.”.

23 SEC. 6. The amendments made by this Act shall take
24 effect on the first day of the first pay period which begins
25 on or after the sixtieth day following the date of enactment

1 of this Act, but shall have no effect in the case of any officer
 2 or employee who died, was finally separated, or retired
 3 prior to such date of enactment. In the case of an officer
 4 or employee who dies or retires during the period beginning
 5 on the date of enactment of this Act and prior to the effec-
 6 tive date of such amendments, the amount of insurance shall
 7 be determined as if such amendments were in effect during
 8 such period.

U.S. CIVIL SERVICE COMMISSION,
 Washington, D.C., April 28, 1967.

HON. THADDEUS J. DULSKI,
 Chairman, Committee on Post Office and Civil Service,
 House of Representatives.

DEAR MR. CHAIRMAN: This letter is in response to your request for an expression of Commission views on H.R. 464, a bill to amend title 5, United States Code, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees, and for other purposes.

The Federal employees group life insurance law (Ch. 87, title 5, U.S.C.) now affords covered employees group life insurance (plus an equal amount of accidental death and dismemberment insurance) approximating annual basic salary, up to a maximum of \$20,000. Upon retirement on an immediate annuity, for disability or after at least 12 years of Federal service, life insurance (but not accidental death and dismemberment insurance) continues without further cost to the annuitant or the Government. The amount of the insurance reduces by 2 percent a month beginning with retirement or attainment of age 65, whichever is later, until it reaches 25 percent of the amount in force at time of retirement.

The present contribution of employees to the premium cost of this insurance is 25 cents biweekly per \$1,000 of coverage, the maximum amount permitted by present law. The Government's contribution, set by law at no more than 50 percent of the employee's, is at the maximum of 12½ cents per \$1,000.

H.R. 464 would:

1. Establish Government's and employee's contribution rates in terms of percent of level cost required to finance the program fully (rather than in terms of a particular number of cents per \$1,000).
2. Raise the Government's contribution rate from 33⅓ percent of the total premium to 40 percent and reduce the employee's contribution rate correspondingly.
3. Increase the amount of each employee's insurance to 1⅓ times salary rate, to a maximum of \$40,000.
4. Provide an additional \$2,000 unit of insurance which would not reduce in value after retirement.

The Commission strongly supports full financing of the program on a level-cost basis. The last actuarial valuation (as of June 30, 1965) showed that the present total biweekly contribution rate is appreciably below the actual cost of the insurance and that a contribution rate of 45.5 cents per \$1,000 is required to finance the existing program on a permanent basis. We endorse the principle of having employees and Government share the full cost of the program, the principle of

authorizing the Commission to set the contribution rate at whatever level is required to cover actual cost, and the principle of establishing rates in terms of percent of level cost. We cannot, however, agree to the proposed change in the cost-sharing ratio. The existing provision establishing the Government's contribution at one-half the employee's rate is, in our opinion, fair and reasonable, considering that the Government's contribution toward the total fringe benefits package compares favorably with that of large private employers. We recommend, therefore, that the employee rate be fixed at two-thirds of the estimated level cost, and the Government's share be at one-half the employee rate, or one-third of the level cost.

We support a higher limit on the amount of group life insurance each employee may have. The present \$20,000 limit, set more than 12 years ago to conform with the maximum salaries then being paid, is outdated and should be raised to a level more in keeping with present salaries. We recommend that this be done by basing the maximum amount of insurance on the salary rate for Level II of the Federal Executive Salary Schedule—currently \$30,000—thus providing for automatic adjustment of the maximum whenever that salary rate changes.

We cannot endorse those provisions of the bill which would raise the amount of insurance to $1\frac{1}{2}$ times salary and provide an additional nonreducing unit of insurance. The Commission opposed these provisions when similar legislation was pending before the 89th Congress. Now, as then, we find neither need nor justification for changes of such magnitude.

The group life insurance program is only one of several different benefit systems designed to provide financial protection for the families of Federal employees and annuitants. Need for changing the life insurance program must be evaluated in the light of the availability of this other protection. The retirement system provides survivor annuities for qualified widows, widowers, and children of employees who have completed at least 5 years of civilian service, and the Federal Employees Compensation program pays monthly benefits to survivors of those who die from work-caused diseases or injury. Both of these programs have been substantially liberalized in recent years. We have already recommended to this Congress further liberalization of retirement benefits for survivors, which recommendations are incorporated in H.R. 6784 on which hearings have already been held. Considering the protection available under these other programs, the proposed further liberalization of survivor benefits under the retirement system, and the fact that the life insurance program is intended to supplement rather than to replace an employee's private insurance program, we believe that insurance in an amount approximating 1 year's salary, as at present, is ample.

We should point out, further, that as an employee's salary increases through general statutory raises and through natural progression resulting from continued service, the amount of his group life insurance also increases—as does also the protection afforded him by survivor benefits under the retirement system. This has been the pattern and should continue to be.

The administration believes now, as it did last year when similar legislation was before Congress, that cost considerations make it unwise to liberalize the life insurance program beyond improving its financing and raising the maximum limit. If Congress nevertheless concludes that employees at lower pay levels are to have greater insurance protection, we recommend establishing a \$10,000 minimum, in lieu of the liberalizations proposed by H.R. 464.

If this were done no covered employee would be insured for less than \$10,000 (\$2,500 after reduction).

These liberalizations, combined with improved financing and with raising the maximum to level II, would increase the Government's cost by \$30.2 million a year—in contrast to the \$91 million increase which we estimate H.R. 464 in its present form would entail. The biweekly premium rate would be 40.8 cents per \$1,000, in contrast to the 49.1 cents per \$1,000 rate that would be necessary under H.R. 464 as it now stands. The employee's share of the premium would be 27.2 cents per \$1,000, and the Government's, 13.6 cents.

The following tables show the annual cost in millions of dollars for each of the elements in H.R. 464 and in the suggested modification of that bill.

IMPROVED LIFE INSURANCE BENEFITS

Total annual cost, H.R. 464

[In millions]

	Government	Employees	Total
Changing present program to 60-40 ratio.....	\$12.5	\$(12.5)	-----
Improved financing.....	16.0	24.1	\$40.1
1½ times salary, \$40,000 limit.....	27.5	41.3	68.8
\$2,000 nonreducing unit.....	35.0	52.4	87.4
Total cost of H.R. 464.....	91.0	105.3	196.3

Total annual cost, modified H.R. 464

[In millions]

	Government	Employees	Total
Improved financing.....	\$13.4	\$26.7	\$40.1
Increasing maximum to \$30,000.....	.1	.3	.4
\$10,000 minimum.....	16.7	33.3	50.0
Total cost of modified H.R. 464.....	30.2	60.3	90.5

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

By direction of the Commission:

Sincerely yours,

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

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., April 28, 1967.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

Dear Mr. CHAIRMAN: This is in response to your request for the views of the Bureau of the Budget on H.R. 464, a bill to amend title 5, United States Code, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees, and for other purposes.

H.R. 464 would:

1. Authorize an increase in the employee and agency maximum contribution rates;
2. Provide coverage at 1½ of each employee's salary rate (raised to the next \$1,000);
3. Provide an additional unit of \$2,000 insurance which would not reduce after retirement; and
4. Change the cost-sharing ratio from 66⅔-33⅓ to 60-40.

The provisions of H.R. 464 are identical in purpose with the provisions of H.R. 6926, 89th Congress, which was vetoed by the President on September 13, 1966. We continue to oppose the changes in the basic features of the present insurance program which the bill proposes—the costly increase in coverage, the increased insurance after retirement, and the change in financing the program. Accordingly, we recommend against enactment of H.R. 464.

The administration's proposals would raise the contribution rate to the level needed to cover the actual cost of the life insurance program and increase the maximum to the salary rate provided for executive pay level II (now \$30,000).

The annual cost of H.R. 464 would be \$91 million, as compared to the administration's proposal which would cost \$13.4 million.

The primary purpose of life insurance is to provide income for the survivors of employees who die, especially those who died during their earning years. However, life insurance is only one of several Federal benefit plans designed to provide income for survivors, the others being the retirement system and the Federal Employees Compensation Act (FECA). The survivorship provisions of

the retirement system are, and in our view should remain, the principal means of protection for the survivors of Federal employees.

During recent years, there have been substantial liberalizations of survivor benefits under the retirement system as well as under FECA. Furthermore, all three plans use benefit formulas which are directly related to salary levels. Whenever basic salaries increase, whether by (a) within-grade advancement, (b) promotion, or (c) general pay raises, the value of survivor benefits rises proportionately.

For example, even though there has been no basic change in the benefit provisions of the Federal Employees' Group Life Insurance Act, the amount of coverage for a typical employee has risen from \$5,000 in 1955 to \$8,000 in 1967. This 60-percent increase in protection far exceeds the increase in the cost of living (23 percent) over the same period.

We believe the greatest need for improved survivor protection is for the employee who has not had time to earn adequate service credits under the career retirement system. Major administration proposals designed to meet this need are:

(a) Transfer of credit to social security for employees who die or separate before qualifying for benefits under the retirement system (H.R. 5710).

(b) Establishment of minimum benefits under the civil service retirement system equivalent to benefits provided by social security, had the same service been covered by OASDI (H.R. 6783, S. 1383).

For the survivors of short-service employees, benefits provided by these bills—because they will continue over a long period of years—are equivalent to many thousands of dollars' worth of additional life insurance.

A further consideration is that the President has proposed that all statutory salary rates be raised to full comparability by 1969 (H.R. 8261; S. 1489). This will increase basic payrolls by an estimated \$2.3 billion. As a result of these pay increases:

The total face value of Federal life insurance will increase by approximately the same amount—\$2.3 billion;

Survivor benefits under FECA will be increased by approximately 16 percent; and

The unfunded liability of the retirement system will rise by approximately \$5.8 billion, all of which will ultimately be paid to retirees and survivors in the form of larger annuities.

A number of employee insurance plans provide more life insurance (in relation to annual salaries) than does the Federal plan. This must be considered in light of the fact that many private retirement plans make no provision at all for survivor benefits. All the available evidence indicates that the Federal Government's total benefit package compares favorably with the total packages of most private employers.

We believe the above facts clearly illustrate why Federal life insurance benefits should not be evaluated without considering benefits provided by related programs.

The administration's insurance proposals are addressed to what we regard as the principal problem areas. While these proposals would not benefit directly the large numbers of lower paid employees, we have proposed to meet their needs by other and more effective means. As indicated above, we continue to believe these proposals are adequate.

If nevertheless, the committee believes that such employees need greater insurance protection, we think that the most justifiable additional liberalization in FEGLI would be achieved by setting the minimum life insurance coverage at \$10,000. This would provide an increase of 25 percent or more in protection for 1.8 million employees and fix the minimum postretirement protection at \$2,500.

Such legislation, if coupled with the administration proposals, would add \$16.7 million to the \$13.4 million cost of the provisions recommended by the administration.

Sincerely,

PHILLIP S. HUGHES,
Deputy Director.

Mr. DANIELS. Our first witness this morning is a gentleman who, until a few months ago, served with distinction on this subcommittee. He is also the author of a measure relating to that under considera-

tion, the Representative at Large of the 50th State of the Union, the Honorable Spark M. Matsunaga.

We welcome you here, Sparky, and will be glad to have your views on this legislation.

**STATEMENT OF HON. SPARK M. MATSUNAGA, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF HAWAII**

Mr. MATSUNAGA. Thank you very much Mr. Chairman and members of the subcommittee. I thank you for this opportunity to appear before this subcommittee, one in which my former membership is a source of continuing pride and inspiration to me.

I am, however, somewhat dismayed at the fact that since my leaving it, the subcommittee has been able to function so well. [Laughter.]

My primary reason for returning today as a witness is to support the bill that was introduced by the distinguished chairman of this subcommittee, Mr. Daniels, in January of this year, H.R. 464, which would improve the group life insurance protection of Federal employees and strengthen the financial condition of the insurance fund. I would also like to take this opportunity to urge this subcommittee to bring presently retired Federal employees within the scope of the laudable provisions of H.R. 464 by extending to them the benefit of \$2,000 irreducible life insurance, as provided in my bill, H.R. 7849, which was introduced on April 3, 1967.

As H.R. 464 now stands, the additional insurance amount which would not be subject to reduction—some \$2,000 worth of insurance—will only be available to those who retire after the date of the bill's enactment. An employee who is unfortunate enough to retire the day before enactment will be deprived of this needed additional protection. In other words, two Federal employees, both earning \$6,000 at retirement, will at the end of 38 months have vastly different amounts of insurance coverage if one retires the day before enactment of H.R. 464 and the other the day after. The employee retiring the day before enactment would have his coverage reduced to \$1,500, but the employee who receives the additional \$2,000 amount provided for in H.R. 464 which is not subject to reduction will have \$3,500 worth of insurance protection at the end of 38 months.

The bill I introduced, H.R. 7849, contains all of the needed improvements in the Federal employees' insurance program found in H.R. 464, but it also provides that persons already retired from Federal employment shall also be entitled without cost to the additional \$2,000 worth of life insurance not subject to the monthly reduction provisions.

Mr. Chairman and members of the subcommittee, for the reasons I have stated I urge that in providing the needed improvements in the life insurance program for Federal employees, you give serious consideration to the extension of these improvements to retired employees who have already given a lifetime of service to their country.

Thank you very much.

Mr. DANIELS. Thank you very much for your consideration, Mr. Matsunaga. I would like to pose one or two questions to you.

Your bill is identically the same as the one that is before this committee, H.R. 464, with one further improvement that you seek; viz, to have one provision retroactive to all retirees; is that correct?

Mr. MATSUNAGA. That is correct.

Mr. DANIELS. Have you any idea of the number of retirees who would be embraced in the program under your proposed legislation?

Mr. MATSUNAGA. I am told that the additional cost will run about \$8 million.

Mr. DANIELS. \$8 million or \$800 million?

Mr. MATSUNAGA. \$800 million; yes, sir.

Mr. DANIELS. Not \$8 million.

Mr. MATSUNAGA. Not \$8 million—\$800 million.

Mr. DANIELS. I would gladly accept your additional improvement, if it costs only \$8 million, but \$800 million is a vast, vast sum of money.

Now, having been enlightened to that fact, would you still insist upon the improvement?

Mr. MATSUNAGA. I speak for the amendment, Mr. Chairman, because I feel that those who retire prior to the enactment of this act would be subjected to an inequitable situation.

Mr. DANIELS. Are you aware that the President in his budget message to Congress recommended for pay increases this year merely the sum of \$1 billion for both military and civilian employee pay raises?

Mr. MATSUNAGA. I realize that, Mr. Chairman.

Mr. DANIELS. Well, would you want to give four-fifths of that sum of money just to the retirees?

Mr. MATSUNAGA. No, Mr. Chairman. Of course, I realize where the heart of the chairman is, and I am not here to get into any argument or debate with the chairman. I realize the difficulty in providing the necessary funds for a meritorious proposal such as this.

But then I am speaking in terms of equity for those who have already been retired. They are the ones in years past who have been forgotten, not only in situations such as this but in keeping up with the rising cost of living, as the chairman well knows.

And here is a situation providing an opportunity for equity that I thought, although the sum is something which may be looked upon with disfavor from the White House because of the tremendous amount involved, we could at least head toward, and, perhaps by a compromise, treat those who have already retired with a lesser amount.

Mr. DANIELS. I am indeed sympathetic with the plight of retirees, and I don't think there is any Member of the Congress who is more sympathetic than myself, because I was the sponsor of legislation which gave them much needed improvements in their retirement benefits over the past couple of years.

Mr. MATSUNAGA. And I commend the chairman for that.

Mr. DANIELS. However, we have got to take a practical view of this and face realities. Now, last night I took time out to read the testimony of Commissioner Macy on a similar bill introduced by Senator Brewster in the other body, and if you have time this morning to spare a few minutes to listen to the Chairman of the Civil Service Commission, John W. Macy, I am sure he will reiterate the same testimony here as he did in the other body—that life insurance is a fringe benefit

and should be taken into consideration with the pay raise. And if we give improvements in the insurance program it is going to result in a reduction in the pay increase that the employees are going to get.

Now, in the light of that testimony, and that being the administration's position, do you think we can make this retroactive to retirees?

Mr. MATSUNAGA. Mr. Chairman, I sit now before you as a witness, not as a member of this subcommittee. I appreciate the chairman posing such a question to me. But my position today here is that we ought to make every effort toward taking care of those already retired, even if we have to do it by way of compromise in the amount involved.

I offer this initial \$2,000 purely on the basis of equity and no more.

Mr. DANIELS. Off the record.

(Discussion off the record.)

Mr. DANIELS. On the record.

Mr. Hanley, do you have any questions of the witness?

Mr. HANLEY. Mr. Chairman, I have no questions. I understand the desire of the chairman on this measure and the problem which he obviously recognizes, and I have a great respect for my good friend from Hawaii. Thank you.

Mr. DANIELS. Mr. Thompson.

Mr. THOMPSON. Mr. Chairman, I think we all share the concern of the Representative from Hawaii; however, we are also concerned about the dollar amounts involved. I don't know if there is a middle ground here that could be reached, but the \$800 million figure staggers me.

Mr. Matasunga, I certainly share your concern about retired employees, and I think we should look further into this matter.

At the present time, that \$800 million figure is an almost insurmountable obstacle, so far as I can determine.

Mr. MATASUNAGA. I reiterate, Mr. Chairman, and Mr. Thompson, that this \$800 million figure did strike me like a blow between my eyes, but then I offer this amendment in the hope that some compromise may be reached toward giving those already retired some improved status—maybe a thousand dollars or so, \$400 million, or whatever sum is determined to be fair, in the wisdom of the subcommittee, and which our budget can stand.

Mr. Chairman, I wish that I could remain here to listen to the testimony of others, especially Mr. Macy, but then I have other commitments to keep.

Mr. DANIELS. I realize that, and the Chair wants to express its thanks on behalf of the full committee and myself, personally, to you for coming here and giving us your support on this legislation.

And I assure you that your views will be given very careful consideration and study by the members of the subcommittee.

Mr. MATSUNAGA. Thank you very much.

Mr. DANIELS. We are glad to have you.

Our next witness this morning is a gentleman who in the past few weeks has apparently been devoting more hours in the various committee rooms in Congress than many of its Members.

So I am pleased to welcome this morning the Honorable John W. Macy, Jr., Chairman of the Civil Service Commission, who is accompanied by his very able aid, Mr. Andrew E. Ruddock, Director, Bureau of Retirement and Insurance.

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

Mr. MACY. Thank you very much, Mr. Chairman and members of the committee.

It has been my privilege to appear before a number of subcommittees in the last week or so. I am particularly pleased to have an opportunity to appear before you once again and to discuss legislation in which we both have a deep interest.

I have a written statement which I would like to read and then Mr. Ruddock and I will be available for questions.

I appreciate your inviting me here today to present the views of the Civil Service Commission on H.R. 464, a bill which you have introduced yourself, Mr. Chairman, to amend the Federal employees group life insurance law.

My letter of April 28 to the chairman of the full committee outlines our position and gives our estimates of the cost of H.R. 464. I believe at the opening of the hearing you placed that letter in the record.

H.R. 464 would make these major changes in the life insurance program:

- (1) It would require the Government and employees to share the full cost of the insurance program, which is significantly underfinanced at the present time;

- (2) It would change the cost-sharing ratio by raising the Government's contribution rate from $33\frac{1}{3}$ to 40 percent of total premium, and reducing the employee's rate from $66\frac{2}{3}$ to 60 percent of the premium;

- (3) It would increase an employee's insurance from an amount approximating 1 year's salary to $1\frac{1}{3}$ times salary, to a maximum of \$40,000, instead of the present \$20,000; and

- (4) It would then add another \$2,000 unit of insurance which would not reduce in value after retirement.

These proposals, Mr. Chairman, are not new to those of us who have been concerned with the pay and fringe benefits of Federal employees. They are the same proposals discussed here last year and incorporated in the measure passed by the 89th Congress and vetoed by the President.

As I testified before this subcommittee in 1966, the Commission does not take the position that there is anything wrong in principle with this or with other legislation designed to provide more low-cost group life insurance for Federal employees. Our position now, as it was then, is that the price tag is too high—particularly when we consider other benefits already available to employees, and the pay increases and other benefits already proposed to this Congress. There is simply not room enough in the tightly planned budget for all of the \$91 million that H.R. 464 would add to the Government's costs. For that reason, we are unable to recommend enactment of H.R. 464 unless certain modifications are made in it.

Let me start by staking out the areas of agreement and nonagreement, then discuss them briefly and suggest for your consideration

some modifications in those parts of the proposal that give us most difficulty. In brief—

We endorse the proposal that Government and employees share full cost of the insurance. We endorse the proposal that contribution rates be set in terms of percent of level cost required to finance the program fully rather than in terms of so many cents per \$1,000 insurance.

We endorse the proposal to raise the ceiling which now limits the insurance of some employees to amounts less than their annual salary.

We do not endorse the proposed change in ratio of cost sharing.

We do not endorse increasing the amount of insurance to $1\frac{1}{2}$ times salary.

We do not endorse the provision of additional units of insurance over and above an amount approximating 1 year's salary.

I should like to explain our position on these various points:

FINANCING

We all agree, I think, that the life insurance program must be soundly financed. From the administration's standpoint, stronger financing has top priority.

The present contribution rate—already at the highest level permitted by present law—is too low to cover the actual continuing cost of the insurance. Employees now contribute 25 cents, and Government $12\frac{1}{2}$ cents, for a total biweekly premium of $37\frac{1}{2}$ cents per \$1,000 insurance. The last actuarial valuation of the program, as of June 30, 1965, showed the actual biweekly cost of the present benefits to be $45\frac{1}{2}$ cents per \$1,000. Present reserves are adequate to meet payments, but that situation cannot last, and steps should be taken now to put the program on a self-sustaining basis. This can be achieved by authorizing the Commission to set the contribution rate at a level sufficient to cover the actual cost of the insurance benefits provided.

H.R. 464 would strengthen financing by requiring Government and employees to share full costs, a provision which we wholeheartedly support. It would set contribution rates in terms of percent of level cost, a financing principle which we consider sound and workable. However, we oppose changing the cost-sharing ratio. We can see no justifiable reason for such a change, and it adds to the Government's cost. We are convinced that, as a practical matter, almost all employees would prefer that any increase in Government's life insurance contributions be used for additional benefits rather than to reduce their contributions toward the already reasonably priced premiums.

We are familiar with the argument that private industry often pays a larger share, and sometimes all, of the cost of group life insurance protection for its employees. However, private industry does not usually provide survivor protection comparable to that offered by Government under other employee benefit programs. We cannot, for example, just write off the Government's cost of a retirement system which includes survivor benefits and ignore the fact that industry often provides no retirement system benefits at all for survivors. Nor, in another important area, can we disregard the fact that Government, unlike most private industry, contributes a substantial share of the

cost of good health insurance for the deceased employee's family. We have concluded that, under the circumstances, the present Government contribution of one-half the employee's rate is fair and just.

We would like to suggest, therefore, that the method of financing proposed by H.R. 464 be adopted, but that the present 2-to-1 sharing ratio be retained. This could be accomplished by fixing the employee rate at $66\frac{2}{3}$ percent of the level cost, and the Government's share at one-half the employee rate—that is, at one-third of the total level cost.

AMOUNT OF INSURANCE

Our views with respect to the amount of insurance needed are the same as they were last year—and for the same reasons, which are as valid now as then.

The group life insurance program is intended to provide a quick cash payment to help cover funeral and other immediate expenses accompanying death, and to assist the surviving family to meet expenses until regular income sources can be established. This it has done, and still does, extremely well. It was never intended to replace the employee's private insurance program. We do not believe that it should attempt to do so.

The life insurance program is only one part—though an important part—of a comprehensive program of employer-supported benefits for families of employees. Two other important elements of that program are the retirement system and the Federal employees compensation program. The retirement system provides annuities for qualified widows, widowers, and children of employees who complete as much as 5 years of civilian service, and the Federal employees compensation program pays monthly benefits to families of those who are disabled or die from work-caused diseases or injuries. Both programs have been greatly liberalized in recent years.

The President has only recently recommended to this Congress substantial additional liberalization of retirement system benefits for survivors. He recommended that Federal wage and service credits be transferred to the social security system if there is no entitlement to civil service retirement benefits, and that those who are entitled to retirement system benefits be guaranteed benefits at a level comparable to those the social security system offers non-Federal workers. These recommendations are incorporated in H.R. 6784, which you introduced, Mr. Chairman, and on which this subcommittee recently held hearings.

That bill, if enacted, would assure to families most in need of it, survivor protection far better than would thousands of dollars of increased life insurance coverage.

Considering the level of protection—present and proposed—available under these other programs, we believe that life insurance in an amount approximating 1 year's salary is ample for its intended purpose of tiding the family over the period of immediate financial need. So that practically all employees may have protection at the level of 1 year's salary, we recommend that the outmoded \$20,000 maximum limit be raised and equated with Level II of the Executive Salary Schedule, which is now and has been since 1964, \$30,000.

We still believe that it is unwise at this time to make general and substantial increases in the amount of insurance provided by the group

life insurance program. To do so would increase the burden of premium payments both for employees and for the Government.

If Congress nevertheless decides that lower salaried employees should have greater insurance protection, we recommend modification and scaling down the benefits proposed by H.R. 464.

RECOMMENDED MODIFICATION OF H.R. 464

Specifically, we recommend that, in lieu of insurance in the amount of $1\frac{1}{3}$ times salary plus the added \$2,000 unreducing unit, the bill establish a flat \$10,000 minimum for all covered employees.

A \$10,000 minimum would provide substantially increased protection to the families of lower salaried employees—those who need it most and who are at least able to afford adequate private insurance. If this suggestion were adopted no covered employee would be insured for less than \$10,000, and everyone would have at least \$2,500 after maximum postretirement reduction. About 1.8 million employees whose insurance is now \$8,000 or less would have an increase of 25 percent or more in their insurance protection.

The cost, per \$1,000 unit, of this protection would be low, because so many of the employees who would benefit from it are younger persons for whom life insurance rates are lower. The biweekly premium rate involved would be 40.8 cents per \$1,000. Employees' share, if adjusted to the nearest cent, would be 27 cents per \$1,000, only 2 cents more than they are now paying. Government's contribution would be a rate of 13.5 cents per \$1,000, or 1 cent more than presently being paid.

I should point out, too, Mr. Chairman, that the pay increases that have been proposed by the President would still further increase the amount of life insurance coverage for many additional thousands of employees. For example, a GS-9 (4th step) employee who now has insurance amounting to \$9,000 would have \$11,000 by 1969 under the projected payline; a GS-12 employee who now has \$13,000 would have insurance in the amount of \$15,000 by 1969, and a GS-15 would have \$24,000, instead of his present \$20,000 restricted by the existing ceiling.

This suggested alternative—combined with improved financing, retention of the present cost-sharing ratio, and a maximum geared to Executive Salary Level II—would increase Government's cost only \$30.2 million a year, more than \$60 million below the estimated additional cost of the bill in its present form.

We believe that if benefits are to be liberalized, this is the way to go about it. The proposal is practicable from the standpoint of Government and of the majority of employees. I earnestly recommend that you give it your serious consideration.

Mr. Ruddock and I will gladly answer any questions you may have.

Mr. Chairman, thank you very much for the opportunity to present this statement.

Mr. DANIELS. Thank you, Mr. Commissioner, for a very enlightening and informative statement. Your testimony here today is substantially the same as the testimony you gave in the last Congress on a similar bill, with the exception that today you propose and recommend a minimum of \$10,000 of insurance for all covered employees. Is that correct?

Mr. MACY. Yes. The testimony is the same as it was last year with respect to the provisions of H.R. 464, but in view of the continued concern of the Congress and of the administration with respect to increased insurance for lower salaried employees, I am suggesting that if the Congress desires to go ahead along those lines that the approach which we believe to be most desirable from the point of view of the Government and employees at large is for a \$10,000 minimum insurance coverage. As I pointed out, this would cover 1,800,000 employees who now have insurance of \$8,000 or less. This is a majority of the employees. It would mean that we would have a floor under this system so that its benefits would be available to those active employees who are paid lesser salaries.

I also point out here, as I do not believe I did last year, the relationship of pay increases to the insurance program. In the past several years, there have been enacted by the Congress increases in salary in accordance with the provisions of the 1962 act. These increases in salary carry with them increases in the amount of insurance for which employees are eligible.

Of course, there are other means for increasing the amount of insurance. This occurs when an individual is moved up on the rate schedule within a grade. It occurs when an individual is promoted to a new grade.

So I think we need to remind ourselves, when we are discussing the volume of insurance available to employees, that it is tied to the level of salary and that upward adjustments in the level of salary will also increase the amount of insurance available.

Mr. DANIELS. Your proposal to give a minimum \$10,000 group life insurance would considerably increase the amount of insurance that those employees above GS-6 would be able to obtain today. It would amount to more than 1½ of their salaries as the proposed bill provides.

Mr. MACY. Yes. Actually, this proposal would be even more liberal than the formula in the bill for the employees in the lower rates. This would not only apply to employees under the Classification Act, but it would also apply to employees under the postal field service and to a very significant proportion of those paid through the wage board system.

Mr. DANIELS. In prior hearings, much testimony was taken from representatives of the employees who came here and offered various other optional plans. Have you given any consideration to those plans and formulated any opinions on the reasonableness or the acceptance of those programs as part of the modified life insurance program?

Mr. MACY. We have reviewed all of the various proposals, the combinations and permutations of increased coverage. Our view is that this represents the most equitable and least expensive of the various plans.

As I indicated in the first paragraph of my statement, it is difficult to argue against any of these liberalizations in principle. And it is desirable to have insurance coverage of as liberal a level as possible as part of a total fringe benefits package. But it's our view that we have to look at the total compensation, pay and the full fringe benefits package, and determine where the benefits can be most effectively offered.

As I indicated in my statement, our view is that insurance is a form of survivor benefit, that it is very important, but it is also coupled with other forms of survivor protection which are offered by the Federal Government and at a significant cost.

Mr. DANIELS. You do look upon life insurance as a fringe benefit?

Mr. MACY. Yes.

Mr. DANIELS. And should be taken into consideration, as I gathered from your testimony. Is that right?

Mr. MACY. Yes. As I testified last year, the administration's position is that we need to look at the total compensation picture in considering not only pay but in considering fringe benefits, and recognize what the interrelated costs are. For example, it's important that we recognize that every time we increase pay we increase the cost of insurance, and we increase the cost of retirement. These are not costs that are immediately reflected in expenditures, but they are costs that become obligations of the Government over the long haul.

Mr. DANIELS. Have any figures been gathered as to what the estimated costs of fringe benefits are to the Federal employees?

Mr. MACY. Well, the fringe benefit cost to the Government is roughly 25 percent of payroll.

Mr. DANIELS. Can you break that down?

Mr. MACY. I can give you an approximate breakdown of that. Now, for example, in 1963, which is the most recent survey I have, the percent of basic salaries was 23.5 percent. The total paid leave, excluding sick leave, was 11.5 percent. Retirement programs were 6.6 percent. The severance pay and related programs was 0.4 percent. The health benefits program was 5.1 percent. The life insurance and health insurance was 1.3 percent.

Mr. DANIELS. How do those figures compare with the fringe benefits paid by private industry?

Mr. MACY. In bulk, they are about the same. With the sample that was made by the Bureau of Labor Statistics at that time, the private industry figure was 23.8, just three-tenths of a percent higher. Under the items in this study, the Government figure was higher on leave, slightly lower on retirement, and slightly lower on health and life insurance.

Mr. DANIELS. Well, Mr. Macy, can you tell us how much group life insurance is in force today and how many Federal employees and retirees are covered?

Mr. MACY. There is \$19 billion in force today on active employees. The coverage of active Federal employees would be about 2½ million. And the number of retired employees covered would be about 400,000.

Mr. DANIELS. 2½ million of Federal employees and about 400,000 retirees?

Mr. MACY. Retirees, yes.

Mr. DANIELS. Now, of your Federal employees, how many receive a salary of less than \$9,000? The point I am trying to develop, Mr. Macy, is this. You propose a minimum of \$10,000 for Federal employees. Under the existing life insurance program, a Federal employee may obtain insurance in an amount to the next even \$1,000 above his salary.

Mr. MACY. That is correct.

Mr. DANIELS. So what I have in mind is this. I would like to know how many employees today receive a minimum of \$10,000 of insurance as compared to the number who have received such an amount under your proposal?

Mr. RUDDOCK. The number who now have an amount of insurance of \$9,000 or less is just slightly under 2 million.

Mr. DANIELS. Excuse me, Mr. Ruddock, \$10,000. I was interested in the salary of GS-9 in order to get \$10,000 worth of insurance.

Mr. RUDDOCK. Those who currently have \$10,000 or less is about 2,100,000.

Mr. DANIELS. 2,100,000?

Mr. RUDDOCK. Yes.

Mr. DANIELS. That would be about 80 percent of the employees enrolled in the insurance program.

Mr. RUDDOCK. Yes.

Mr. DANIELS. What is the average Federal salary?

Mr. MACY. Well, the average Federal salary under the Classification Act is about \$7,000. But we are talking here about a broader base. The average salary would probably be closer to \$6,000. So that the heavy concentration is in the range from—

Mr. DANIELS. GS-1 to GS-4?

Mr. MACY. Actually, using the GS scale, the heavy concentration is from 4 to 7.

Mr. DANIELS. GS-4 through GS-7?

Mr. MACY. Yes. Of course, you have the very heavy concentration in the postal service, PFS-4, which also is below the \$10,000 figure. They average out.

Mr. DANIELS. What do you estimate the cost to be of giving every Federal employee a minimum life insurance policy of \$10,000?

Mr. MACY. The added Government cost would be \$16 million, on the basis of the present cost sharing.

Mr. DANIELS. \$16 million over and above what it costs today under the present program?

Mr. MACY. Yes.

Mr. DANIELS. Can you give us a breakdown of the cost with respect to this bill that you estimate would cost \$91 million per annum?

Mr. MACY. Would you like a breakdown of the cost by individual item?

Mr. DANIELS. Yes. Under the proposed improved benefits of H.R. 464.

Mr. MACY. All right. On the matter of changing the present program to a ratio of 60:40, from 2 to 1, the cost to the Government is \$12.5 million. Improved financing is \$16 million. The $1\frac{1}{3}$ times salary which has a \$40,000 limit is \$27.5 million. And the \$2,000 nonreducing unit is \$35 million. That is \$91 million. Now, the cost of the program which the administration has supported all along, the improved financing would be \$13.4 million. Increasing the maximum to \$30,000 is \$0.1 million, or \$100,000. And this alternative that we have suggested to you, of the \$10,000 minimum, would add to that \$16.7 million, to give a cost of \$30.2 million in contrast to the \$91 million.

You will note, Mr. Chairman, that the two high-cost items in the bill are the increase in the amount of insurance carried by changing

the formula to $1\frac{1}{3}$ times salary, which is \$27.5 million, and the \$2,000 nonreducing, which is \$35 million. The reason that last item is so costly is that that is insurance that is being carried indefinitely by those that are retired. And the degree of potential payment is very high.

Mr. DANIELS. The \$2,000 nonreducing is the most costly of all the proposed improvements.

Mr. MACY. That is correct.

Mr. DANIELS. That is \$35 million?

Mr. MACY. Yes.

Mr. DANIELS. Out of the estimated \$91 million cost?

Mr. MACY. That is right. In fact, that \$35 million cost is more than the improved financing and the \$10,000 minimum combined.

Mr. DANIELS. Well, under the modified plan that you suggest, what would it cost if we modify the premium formula from two-thirds-one-third to 60-40? How much additional cost would it involve in this program?

Mr. MACY. All right. Let me give you a breakdown of that, the Government's cost. Under a 60-40 cost sharing, the improved financing would cost \$16 million instead of \$13.4 million. The \$30,000 ceiling would cost \$200,000 instead of \$100,000. The \$10,000 minimum would cost \$20 million instead of \$16.7 million. And the change in the ratio would cost \$12.5 million. So that you come out with a cost on that basis of \$48.7 million, or an increase of \$18.5 million over the modified cost that we discussed a few moments ago.

Mr. DANIELS. That is slightly more than 50 percent of the costs of your proposed amendments to H.R. 464. Is that correct?

Mr. MACY. Yes; that is right. This would be 53 or 54 percent of the total cost of H.R. 464.

Mr. DANIELS. Just one further question. I understand the President's message to Congress carries a figure of \$1 billion for military and civilian pay raises for fiscal 1968. Does this figure include fringe benefits?

Mr. MACY. The figure included a contingency amount for military and civilian pay increases. It was viewed as the total amount of fringe and pay costs for fiscal 1968. However, the administration endorsed the proposal for the social security minimum and transfer of credits, which is an improvement in the retirement and survivor program as a cost outside of that figure.

The administration has consistently supported the improved financing and the \$30,000 ceiling in life insurance as a cost outside of the gross compensation figure. So my answer to your question would be that if the \$90 million, or a figure roughly of that magnitude, were passed, a significant portion of it would have to be viewed as coming out of the contingency amount reserved for pay.

Mr. DANIELS. Well, I have certain other questions, but I do not want to dominate all the time. So I will conclude by just asking one further question. Do you think the liberalization of the life insurance program or a liberalization of an increase in fringe benefits, would have any effect upon the morale of the Federal employees?

Mr. MACY. I am sure that an increase of fringe benefits of this nature would undoubtedly have a favorable effect on morale.

Mr. DANIELS. Thank you. Mr. Hanley, any questions?

Mr. HANLEY. Mr. Macy, when were any significant changes last made in the program?

Mr. MACY. In the life insurance program?

Mr. HANLEY. Yes.

Mr. MACY. There have been no significant changes since the statute was passed in 1954. The only changes that have been made have been relatively minor and had a relatively minor cost impact on the program.

I would like to reiterate, however, that every time there has been a salary increase the extent of coverage under the insurance program has been improved. But, aside from that, there has not been any basic change in the statute since 1954.

Mr. HANLEY. You touch on the fact that the program is significantly underfinanced at the present time. What is the unfunded liability?

Mr. MACY. Well, it doesn't have an unfunded liability, Mr. Hanley, in the same sense the retirement fund does. But what we mean by underfinancing is that on the basis of a level premium to cover the total program on a long-range basis, we are running behind by an amount of roughly 7 or 8 cents per thousand, biweekly.

Now, this is not a critical condition at this time. But our view is that it was congressional intent that the level premium be financed over the long haul, and it has been our testimony over the past 2 or 3 years that the present ceiling in the 1954 statute with respect to the amount of premium should be raised. And we are further suggesting that in the future it be adjusted in such a fashion as to assure that we continue to cover the level premium.

Now, the level premium is affected only by liberalizing changes. So this would be a fairly fixed amount. For example, if the plan I have been discussing with the chairman for a \$10,000 minimum, in addition to the financing and the improved maximum figure, were to come to pass, actually the financing picture would be improved because you have this larger amount of coverage in the hands of younger employees. The biweekly premium rate for \$1,000 would be 40.8 cents; and under the present cost-sharing plan of two to one, this would mean that the employee's share would be roughly 27 cents and the Government's share roughly 13 and a half cents.

Mr. DANIELS. Will the gentleman yield at this point?

Mr. HANLEY. Yes.

Mr. DANIELS. Under the existing program, you testified that the biweekly cost of this insurance amounts to approximately 45 cents, or a little more than that.

Mr. MACY. It's 45½ cents.

Mr. DANIELS. 45½ cents, of which the employee contributes 25 cents and the Government 12½ cents, for a total of 37½ cents, making a differential of 8 cents. That is the deficit. Is that right?

Mr. MACY. That's right.

Mr. DANIELS. Under your proposal, under the proposed modification that you have testified to here today, you said the biweekly premium would be 40.8 cents per thousand. How do you explain that difference?

Mr. MACY. Well, the explanation for the reduction is that the bulk of the additional insurance would be carried by lower salaried em-

ployees who have a much lower age distribution. So that you would produce a more favorable picture in your total insured population; just as if you add additional insurance for older employees, you substantially increase the cost of your insurance.

Mr. DANIELS. Are the premiums higher on life insurance for older employees than for others?

Mr. MACY. This is a group policy, you see, and your premium is influenced actuarially by the age distribution of those covered. And the age distribution of the insurance coverage here would be significantly changed by putting such a significant portion of the increased insurance in the hands of younger people.

So that actually what we are saying is that it would be a reduction of 5 cents, 5 cents per \$1,000 for insurance carried by this proposal.

By the same token, if you were to adopt Congressman Matsunaga's amendment, this would alone increase the premium, if you were to apply this to the total coverage, of 5 cents per \$1,000. In other words, just to pay the \$2,000 to already retired employees would result in a 5 cents per \$1,000 increase in the total plan. Do I make myself clear?

Mr. DANIELS. Yes; I can understand that.

Mr. Hanley?

Mr. HANLEY. Mr. Macy, with respect to the 8-cent deficit, from what source do we pay this now?

Mr. MACY. Well, at the present time there are sufficient reserves to cover this. But as more and more employees who are covered become deceased, and claims are filed, you will begin to fall further and further behind. I mean, actually, at the present time we are not in a deficit situation, because what we are doing is projecting this premium out over a long time. So that it tends to balance out.

Under the present financing arrangement, there is no prospect that we have to forfeit or default on any of the claims. But we feel that in terms of our stewardship on this program we have an obligation to indicate to Congress that to finance this soundly into the indefinite future—and, after all, this is a program that deals with futures—it is important to have the increased financing.

Mr. HANLEY. And this deficit, does this relate back to 1955?

Mr. MACY. Yes. In 1954 or 1955, the premiums collected amounting to 37½ cents did not quite cover, and there have been changes which have increased the cost.

Now, in answer to your earlier question, I said there had been no major change. But the minor changes, for example, permitting a continuation of insurance after nondisability retirement with only 12 instead of the original 15 years of service has added to the cost and therefore has added to the premium level. That is an example of one of the causes of increasing the level premium cost of the program.

Mr. HANLEY. Obviously there wasn't provision for escalating the cost, any particular relationship to the increased cost?

Mr. MACY. No. The Congress gave the Commission discretion under a specific limitation, and the specific limitation was 25 cents per \$1,000 per employee. And ever since the plan went into effect in August 1954, that has been the premium level. It's necessary to amend the legislation in order to assess a higher premium and meet this cost.

Mr. HANLEY. Thank you, Mr. Macy.

Mr. DANIELS. Mr. Macy, I asked you previously that, if you changed the premium formula from two-thirds-one-third to 60-40, you estimated the additional cost to be \$18½ million.

Mr. MACY. That is correct.

Mr. DANIELS. Suppose you took that \$18½ million and tried to provide some additional improvements in the insurance program. Do you have any suggestions to make as to what improvements could be made?

Mr. MACY. In other words, which of the proposed improvements would I consider to be the most desirable investment?

Mr. DANIELS. In other words, instead of changing the formula from 2-1 to 3-2, suppose you took the \$18½ million that it would cost to finance that improvement and diverted it to some proposed improvement. Do you care to make any suggestion as to how that could be used, and which might be given favorable consideration by the administration? I have used the word "favorable" advisedly.

Mr. MACY. That is difficult to answer. I think that I would say this, that if it were judged that an additional \$18 million were to be invested in this program, the administration would feel that the proposal that you have suggested, of a change in the sharing to the 60-40, would probably be the most beneficial improvement. We would prefer that to having the money put into additional nonreducing units or into changing the formula on the basis of which the amount of insurance is computed.

Mr. DANIELS. Thank you very much. The Chair wishes to thank you, Mr. Macy, and Mr. Ruddock, for coming here today and further explaining the legislation under discussion and the administration's standpoint on it.

Mr. MACY. Thank you very much, Mr. Chairman. And let me reiterate that Mr. Ruddock and I stand ready to meet with you and your subcommittee at any time you suggest for further discussion of this legislation. I want to congratulate you on your continuing interest in it.

Mr. DANIELS. I think the hearings on this important piece of legislation will continue for several days and, in the event there is any need for additional testimony from the administration, I trust that you will make yourselves available.

Mr. MACY. We will, indeed, Mr. Chairman.

Mr. DANIELS. We thank you, sir.

Mr. MACY. In fact, we are spending most of the week right in this room. So we will be prepared.

Mr. DANIELS. Our 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 very much, Mr. Chairman. I'd like to say at the outset, if it's agreeable with the chairman, the position of the United Federation of Postal Clerks is not changed from last year. We are supporting the legislation which you have introduced this year, H.R. 464, which is similar to the legislation which the administration vetoed last year.

With that in mind, I'd like to request, Mr. Chairman, that you permit our statement to be introduced into the record and, if agreeable, I would only like to comment on one or two points and then answer any questions you may have.

Mr. DANIELS. Without objection, this statement will be entered into the record immediately following your oral testimony.

Mr. NILAN. Thank you very much, Mr. Chairman. I do want to say, as Mr. Macy did, that we appreciate very much the interest of the chairman and the members of the committee in this legislation. We felt very badly last year when the President, in his questionable wisdom and judgment, vetoed the legislation as being inflationary. We are very pleased that the administration witnesses who preceded me have not raised this false ogre—if I may use that terminology—of inflation. Certainly, I feel that life insurance benefits are not inflationary of themselves, particularly when an employee would have to die before any benefits could become available to his beneficiaries and survivors.

I'd like to also say, Mr. Chairman, that we endorse the pending legislation, H.R. 464, as a very definite improvement in the present Federal employees life insurance program. Our organization is on record eventually for complete payment of premiums by the Government. We do hope that sometime in the future that this will be considered and enacted into law.

We also hope that the committee, in its deliberations, will explore thoroughly the possibility of liberalizing benefits to our retired members, if this is at all possible under the pending legislation.

Mr. Chairman, that concludes my references to our prepared statement, and I would appreciate your patience, if you will, for a few moments to comment about the proposal by Mr. Macy, since it is something different from the previous administration recommendations.

Mr. DANIELS. I was going to ask you about that. But, before I do, as I understand your testimony, it is substantially the same as last year, and you not only endorse the bill which the Chair has introduced but you go one step further and urge that the Government pay the entire premium. Is that the sum and substance of your testimony?

Mr. NILAN. Yes, sir.

Mr. DANIELS. I notice that you were in the room while the administration spokesmen, Mr. Macy and Mr. Ruddock, were here and advanced some new ideas with respect to improving the employees life insurance program. I would like to hear your comment on that testimony. Have you formulated any opinion?

Mr. NILAN. Mr. Chairman, we have not formulated any position different from our basic position. But I would like to comment, as you suggest, on parts of Mr. Macy's presentation, since it is somewhat different than past testimony by the administration.

In reading the first page of Mr. Macy's statement, when he referred, and I quote, "It would require that the Government and employees share the full cost," my understanding of sharing usually is a 50-50 proposition. Of course he goes on to qualify that later, when he insists that the employee two-thirds-one-third Government present ratio of premium payments be retained under any conditions.

We are, of course, always interested in responsible funding of the life insurance program, as we are in any other program, as responsible trade unionists.

We would, though, suggest that the program that has been presented by the administration; namely, the \$10,000 minimum, which we feel would be very beneficial to our lower paid people—that if this is considered further by the committee, certainly we would hope the committee would retain at least the 60-40 ratio of premium payments in the pending legislation, H.R. 464.

We would like to suggest, Mr. Chairman, that if the new presentation by the administration is looked on with some favor, that the Government be required to pay 50 percent and the employee 50 percent of premiums, and we would then consider this as a very progressive step in the legislation pending before this committee.

We do appreciate also Mr. Macy recognizing that private industry, as he mentions on page 5, often pays a larger share and sometimes all the costs of group life insurance protection for its employees. I believe this has been substantiated by surveys not only of the various groups testifying but also to some extent by the committee staff which has inquired into this.

We do object, however, to the administration introducing the question of our CSC employees retirement program and the Federal Employees Compensation Act into these hearings. We feel in each instance the employee is contributing a fair share, which he is required to by law, and we don't feel that this is a proper area to explore when trying to modify the proposed legislation as far as benefits are concerned. We do feel, again, that if this is true in private industry, certainly under the comparability principle our people should benefit also to the same extent.

On the question of the cost, I am very pleased with Mr. Macy's comments in that regard, I might add. He mentions that the present cost is approximately 45 cents per \$1,000. And even improving the benefits, like the \$10,000 minimum, this would actually reduce the cost to 40.8 cents per \$1,000.

Mr. Chairman, we are also interested in reducing the premium costs wherever possible to our employees, particularly when we can improve the benefits. And certainly we commend the administration for this part of their proposal.

We would feel though that under any consideration given to the administration program that the committee retain at least the 60-40 ratio, and we would hope that if this program is given consideration in depth that the committee also consider a 50-50 sharing, true sharing, of the costs of the program between Government and the employee.

I might add that in going over some of the figures which the previous witnesses presented us with—and perhaps I didn't write fast enough, but I do find some discrepancies in the figures as presented insofar as total amounts and references back and forth.

I believe, for example, it was suggested that the change in ratio which is being considered from the present two-thirds-one-third, if this was changed to 60-40, I believe first we were given a cost estimate of \$12.5 million, and then subsequently, if I recall correctly, \$18.5

million. Now, again I may not have these figures down correctly, but in adding up some of the totals, I come to different costs. I only suggest in this area that the staff will analyze the figures by the witnesses to be sure they are consistent in each area with the benefits that they refer to, Mr. Chairman.

Mr. DANIELS. Mr. Nilan, I have noted here the Commissioner's estimate of the additional costs and perhaps you might want to analyze it. He says that under the modified proposals of H.R. 464, as he testified this morning, the improved financing would amount to \$16 million, and increasing the maximum to \$30,000 would cost \$200,000. A \$10,000 minimum would cost \$20 million. And the additional financing of the entire program on a 60-40 ratio would cost an additional \$12.5 million, which would total \$48.7 million as against \$30.2 million as they originally proposed, or a differential of \$18.5 million.

Mr. NILAN. Perhaps I misunderstood them, but I got down \$12.5 million as their estimate. In the cost of changing the ratio to 60-40 percent, not of bringing additional people in, that was my understanding of that figure. And if you would take that from the \$48.7 million total—and I may have made a mistake in addition—I come out with \$36.2 million. If you take the \$12.5 million out, I come out with \$36.2 million.

I believe Mr. Macy suggested that the total cost of the modified proposal, which they offered, would be \$30.2 million. So there does appear, at least to me, some discrepancy in the figures they have presented, although I am not making any judgment or analyzing it.

Mr. DANIELS. Mr. Nilan, I have a chart, and you can see Mr. Devlin after the hearing and he would be glad to give you a breakdown.

Mr. NILAN. Thank you very much, Mr. Chairman. We do appreciate this opportunity, and I say again we wholeheartedly endorse the legislation and are very appreciative of its being sponsored.

Mr. DANIELS. Thank you. It's a pleasure to hear you.

Mr. NILAN. Thank you.

(Mr. Nilan's prepared statement follows:)

PREPARED STATEMENT OF PATRICK J. NILAN, NATIONAL LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO

Mr. Chairman and members of the committee, for the record, I am Patrick J. Nilan, national legislative director of the United Federation of Postal Clerks, AFL-CIO. I am very pleased to appear before this committee in regard to the pending legislation H.R. 464.

Mr. Chairman, I speak in behalf of the Nation's 319,000 postal clerks for whom we are the exclusive national representative for labor-management relations with the Post Office Department. Our membership in the postal clerk craft are employed in post offices in 50 States, the District of Columbia, Puerto Rico, Virgin Islands, and Guam. We appear here this morning in support of H.R. 464 which proposes to amend title 5, United States Code, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees and for other purposes.

As postal clerks, Mr. Chairman, we are not only vitally concerned with this legislation but are also strongly in favor of its enactment at the earliest possible moment. We appreciate very much the introduction of this worthy legislation by Chairman Dominick V. Daniels. Also, our membership is most appreciative of the early hearings scheduled by the chairman and members of this committee concerning this important legislation.

It was our sincere hope, and we are confident it was the hope of the 89th Congress, that the President would sign into law legislation approved by the Congress last year which is similar to the legislation being considered today

by this committee. Unfortunately this legislation was vetoed, and I say unfortunately because there are many, many thousands of low-income postal clerks whose families needed then—and still do need—the improved life insurance protection promised by the provisions in H.R. 464.

While the veto of last year is past history, what really is important is securing congressional approval as quickly as possible of H.R. 464, the pending legislation. However, since H.R. 464 is substantially the same as the legislation vetoed by the President in 1966, it appears necessary that we comment on several of the reasons given by the President for the veto.

It would appear the President's primary objections to the bill last year were based on fears of inflation. We believe this concern, then as now, was itself an inflation spectre. The hard, cold fact of the matter is that Federal employees—and postal employees in particular—have historically been the victims of inflation and not the cause of it!

Certainly, Mr. Chairman and members of this committee, you are well aware of how far behind the comparability wage levels are those of the postal and classified Government services. Unfortunately our postal clerks and other low-income postal and Federal employees have been the whipping boys for many more years than we would like to recall. We are the ones who have been whip-sawed by the so-called wage-price guidelines which have been continually broken by vast sectors of the private economy during the last few years.

Apparently the administration has now finally consigned these guidelines to an economic state of limbo where we agree they should have been disposed of several years back. It is our hope the administration will now recognize that this legislation is, in fact, not inflationary any more than administration's newly proposed liberalization of social security benefits, as well as other progressive legislation, is inflationary.

It would appear almost impossible for the provisions of the 1966 vetoed life insurance bill, or the pending legislation, H.R. 464, to be inflationary as suggested, since under no circumstances could a deceased postal clerk contribute to an inflated economy when only at the time of his death would the additional life insurance benefits become payable and then only to his widow and children.

The President's veto message also tried to make the point that the Federal Employees Group Life Insurance Act was never intended to meet all the employee's insurance needs * * * that it was only meant to supplement his private coverage.

Speaking for more than a quarter of a million postal clerks, I'd like to ask what private coverage? Of course, many, many thousands of Federal employees, including postal employees, do have some types of private insurance coverage; but how many clerks with their families living in this day and age on an average of \$125 per week or less, can afford any more than the most minimum private insurance coverage?

Turning the coin around, I would ask whether even the provisions of the bill before you today can be regarded as providing complete insurance coverage by any stretch of the imagination for a postal clerk or carrier with two, three, four or more youngsters of school age?

On this score, in our judgment, the veto message was wrong on two counts: It was wrong in its implication that our members can afford additional private insurance coverage; it was even more wrong in its implication that the proposed changes in the law were somehow devised to meet all the employee's insurance needs.

As the authors of this legislation, including the distinguished chairman of the committee, are keenly aware, there has been no truly substantive change in the Federal Employees Group Life Insurance Act since it was first conceived more than a decade ago.

Yet in that same period of time, based on evidence developed by this committee's own staff research, insurance benefits for employees in the private sector of the economy have improved markedly. However, I will not belabor this point since much of the factual evidence on this score has previously been placed on the record.

What I do want to underscore, however, is the fact that the private sector group life insurance trend in this country, more and more, is toward placing the full cost of such coverage on the employer exclusively—a trend which merely reflects the heightened curve of industrial profits in a dynamic and expanding economy.

I mention this not to disparage the provisions of the legislation before us, which in fact do increase the cost of coverage to the individual Federal employee as well as to the Government. I mention it as evidence of a trend already embracing nearly half of the covered employees in private industry. And I mention it in rebuttal of the veto criticism of last year that the proposed legislation went beyond acceptable limits by raising the annual cost of the program—a program in which the employee is asked to pay 60 percent of the total cost.

We believe it is significant to note that the larger the size of employee groups covered in private industry the greater seems to be the tendency toward full payment of premium costs by the employer. On this count, alone, a strong case can be made that the U.S. Government, as the largest employer of all, should maintain progressive benefits that are at least the equal of large segments of private enterprise.

Finally, we would like to add just a word about the fiscal integrity of the law itself as it exists—and will continue to exist. We have the clear warning of the Civil Service Commission, based on projected actuarial evaluations, that the existing degree of unfunded liability offers us a hazard for the future. Without correction a point of financial exhaustion will ultimately be reached.

This committee and, indeed, the whole Congress made a timely and valiant effort last year to provide the permissive authority required to insure flexibility in determining how much the Government must contribute, from time to time, to maintain the solvency of the program. Again this year, this committee wasted no time in proposing virtually the same legislation with the same commendable ends in view.

We say now, as we said then, that the committee's alert response to the problem is praiseworthy to the highest degree and reflects great credit on the devotion of its members to this great country of ours, as well as its Federal employees and their families.

Even so, we regard this legislation basically as an emergency proposal rather than as an end in itself. We have maintained for a number of years that the whole structure of the Federal life insurance program needs updating and modernizing. The Government's per capita share of the cost, for example, though put now on a sliding scale, still may not exceed the amount contributed by the employees themselves.

There is still too limited a ceiling—though a more generous one—on the amount of protection available. As one of the most important of the fringe benefits offered by the Federal service, group life insurance ought to be at least competitive with private industry. It is still short of that standard.

Mr. Chairman and members of the committee, our organization is on record for enactment of legislation which would provide for Government payment of total employee group life insurance premiums. We do believe, however, the early enactment of H.R. 464 would certainly be progress toward this goal.

We would also hope this committee, in its deliberations concerning H.R. 464 will thoroughly explore the possibility of extending liberalized insurance benefits to those postal and Federal employees already retired.

In addition to these recommendations, our organization has further views on the general question of improved life insurance benefits for our postal clerk membership of a more detailed nature. We shall be happy to outline these views at an appropriate time in the future when the Congress considers more far-reaching revisions of existing or amended law.

We appreciate the interest and efforts by the chairman and members of this committee to immediately legislate in the areas of improved life insurance benefits for Federal employees. Thank you very much for this opportunity to acquaint you with our support of H.R. 464 and urge its early enactment into law.

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

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

Mr. RADEMACHER. I would like to have the statement of the National Association of Letter Carriers printed as we have it prepared.

I would just now like to highlight the remarks of our organization, if I may.

Mr. DANIELS. Without objection, Mr. Rademacher, your printed statement will appear in the testimony in the record of hearings immediately following your oral testimony.

Mr. RADEMACHER. Thank you, Mr. Chairman.

Until recently, Mr. Chairman, the retirees had no specific committee to look to for relief. Over the last few years they have found satisfaction in your fine subcommittee. I do not want to appear here today as an ingrate as I make the following plea, but I would urge strongly that the committee consider in the near future taking action in accordance with the President's own desires in the area of social security benefits and have annuities increased. Our people are suffering today, I am sure the chairman realizes there are still 150,000 survivors who receive less than \$100 monthly, and I only preface my remarks in the way of commending the committee and urging them gratefully to continue to do more. There are many people looking to this committee for relief.

Mr. DANIELS. On those hearings we conducted recently we are awaiting the action of the Ways and Means Committee to bring in those employees who have not had 5 years in the Federal service so that they may take advantage of the minimum benefits provided by social security.

The Chair feels that it wouldn't be proper to proceed to report out a bill, not knowing what action the Ways and Means Committee will take on similar legislation. In other words, the two committees must work hand-in-hand.

Mr. RADEMACHER. Knowing the sincerity of your committee, Mr. Chairman, we have faith and hope and wait patiently because we know that if there is a possibility of you correcting this injustice, certainly you and your committee will recommend such correction.

On the subject at hand, Mr. Chairman, it's interesting to note that the Civil Service Commission has presented some discriminatory legislation and recommendations which is most unusual on the part of the Commission, to recommend for just a segment of the Government employee population and not all. I am referring to the fact that the Commission is willing to raise those employees who are earning around \$4,000 a year to a maximum of \$10,000 insurance, and we are for this, and perhaps half of the Government employees are going to benefit from this recommendation.

And then the Commission representatives urged that something be done to increase from \$20,000 to \$30,000 those in that particular bracket. But those in-betweens are forgotten.

I think that the Commission has submitted a statement today which is so close to the legislation before the committee that there certainly shouldn't be too much disagreement in the end.

Then we must also realize, Mr. Chairman—as I know you do—that what we are talking about here are benefits which generally go to the survivors of people that have given their life to the Government service. So whatever benefits that can be derived from your legislation, they certainly are warranted. Because, I emphasize, the beneficiaries or the survivors in most instances of those that have contributed a lifetime of employment to the career services are people that make the Government service what it is.

Mr. Chairman, when the President vetoed a similar bill last year, he condemned it as being inflationary. We deny this allegation entirely. And, if I may say so, we are getting weary of having the executive branch use the boogeyman of inflation as a weapon against us.

The postal employees are not the cause of inflation. We are the victims of inflation. The executive branch has fought successfully against giving us a decent wage on the grounds that it would be inflationary to do so. Now they have denied us a reasonable life insurance on the same grounds. We feel they have worked out a comprehensive program of womb-to-tomb impoverishment. They have denied us comparability in life and now they are trying to deny us comparability in death.

Actually, we believe that the Federal Government should underwrite the entire cost of the life insurance program, and we would welcome any amendment to that effect. This is not an extravagant request because, Mr. Chairman, as you know, in your own State, the great State of New Jersey, there is almost total enlightenment in the field of coverage of group life insurance premiums. The Newark Evening News on January 17 of this year published a story announcing that 98 percent of manufacturing plants in that State had employee life insurance programs with the company paying the entire cost of the premiums.

Mr. DANIELS. On what date did that appear?

Mr. RADEMACHER. January 17 of this year, Mr. Chairman, in the Newark Evening News.

Mr. DANIELS. Would you furnish the committee a copy of that article?

Mr. RADEMACHER. I will have it for the committee; yes, sir.

Mr. DANIELS. We will insert it in the record.

(The article referred to follows:)

GROUP LIFE INSURANCE WIDESPREAD

A survey among 300 manufacturing plants in northern New Jersey reveals that 98 percent provide group life insurance for their employees, it was reported today by Harold Hawkey, executive secretary of the Employers Association of North Jersey. In most cases, the insurance is noncontributory, with the company involved paying the entire cost.

The survey also shows that plants in the Union-Middlesex area offer the highest benefits, providing an average \$7,325 insurance for office workers and nearly \$6,000 for factory help. Coverage in most cases varies with amount of earnings and length of service, it was reported.

The survey includes data on hospital, medical and surgical expense insurance. It is one of a series on employer-employee relations conducted by the association.

Mr. RADEMACHER. Thank you. We would like very much, for instance, to see the bill extended in this provision so that it would take care of employees who have already retired, and that has already been a matter of discussion here this morning.

We would like to see, as Mr. Macy has recommended, an improvement which would set a minimum of \$10,000 of all employee group life insurance policies and a depreciation minimum of \$5,000. We are talking about the minimum face value. We ought to also talk about the minimum benefits that are going to eventually be in the life insurance field.

So, with those brief remarks, Mr. Chairman, not for a moment belittling or deemphasizing the importance of the legislation, but in an

effort to cooperate, that is the statement of the National Association of Letter Carriers, representing almost 200,000 people that carry the mail and that hope to soon be in level 5.

Mr. DANIELS. Mr. Rademacher, I have just one question. You talk about the lower paid employees who, under Mr. Macy's proposal, would receive a minimum of \$10,000, and the higher paid employees, whose insurance would be increased from the \$20,000 maximum to \$30,000, and that those in-betweens would be discriminated against because they would be covered by the present formula. What do you have to suggest with respect to that middle group?

Mr. RADEMACHER. Our suggestion, which would favor all employees of the Government—and in this particular instance I am representing all employees of Government—would be as a proper formula the language contained in your bill, H.R. 464. That treats all employees fairly, not just a certain few. And we wholeheartedly endorse your bill with a few amendments, as suggested.

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

Mr. RADEMACHER. Thank you, Mr. Chairman.

(Mr. Rademacher's prepared statement follows:)

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

Mr. Chairman and members of the committee, my name is James H. Rademacher, and I am vice president of the National Association of Letter Carriers. We have approximately 195,000 members in about 6,500 branches located in every city in every State and possession of the United States. The headquarters of the National Association of Letter Carriers is at 100 Indiana Avenue NW., here in Washington, D.C.

I would like to begin, if I may, by expressing our appreciation for being asked to testify in support of H.R. 464. I also want to thank you, Mr. Chairman, for introducing this legislation. It is badly needed, and will give the postal employees a measure of justice that has hitherto been denied them.

As you so well know, Mr. Chairman, this bill is the same as that which the President—acting on very bad advice—vetoed last year. The postal and Federal employees were shocked by the action of the President in this matter and we sincerely hope that his advisers, this year, will be more enlightened and more informed about the virtues of this legislation.

When the President vetoed this bill last year, he condemned it as being inflationary. We deny this allegation entirely.

And, if I may say so, Mr. Chairman, we are getting weary of having the executive branch use the bogeyman of inflation as a weapon against us. Postal employees are not the cause of inflation, we are the victims of inflation.

The executive branch has fought—successfully—against giving us a decent wage on the grounds that it would be inflationary to do so. Now they have denied us a reasonable life insurance program on the same grounds. We feel they have worked out a comprehensive program of womb-to-tomb impoverishment.

They have denied us comparability in life and now they are trying to deny us comparability in death.

The average letter carrier today, Mr. Chairman, earns \$5,800 a year, gross. Under existing law he can take out Federal employee's life insurance only to the value of \$6,000.

Since it is virtually impossible for a man with a family to lay aside any money on a salary of \$5,800 a year, this \$6,000 in insurance—in most cases—represents just about all that a letter carrier can leave, in a monetary sense, to his widow and his children. I submit that this does not provide anywhere near the amount of security that a letter carrier's bereaved family should have in this year of our Lord 1967.

Under your bill, Mr. Chairman, the same letter carrier can increase the value of his policy to \$11,000. This will not put the beneficiaries in the financial company of economic royalists, but it will give the widow and her family a good deal more cushion at a time when they are reorganizing their lives after the death

of the breadwinner. It will give the widow that much more security; it will give the children that much more opportunity of getting a decent education.

We are also highly gratified that this bill will improve the financing of the Government employees' life insurance program by making it necessary for the Government to pay 40 percent of the total premium rate.

As we all know, the Civil Service retirement program is in funding difficulties. The postal and Federal employees are concerned about this, naturally enough. We don't want the same thing to happen to the life insurance program.

Letter carriers work hard for meager wages. One of the few things that keep us working, is the hope of a reasonable retirement and the trust that we can leave a little something to our loved ones when we are called upon to shuffle off this mortal coil. We worry when these carrots at the end of the stick—inadequate as they are—show signs of deteriorating. We appreciate very much, Mr. Chairman, that your bill will give reasonable assurance that the life insurance program will remain solvent.

Actually, we believe that the Federal Government should undertake the entire cost of the life insurance program and we would welcome any amendment to this bill to that effect.

This is not an extravagant request.

Two years ago, the Bureau of Labor Statistics (in their bulletin No. 1385-82) revealed that 58 percent of the corporations in the country that have group life insurance programs pay 100 percent of the cost of the premiums.

In the subdivision of industry entitled "transportation, communication and public utilities"—which is closest generically to the Postal Establishment—69 percent of the employers pay the entire cost of the program.

I point out that these figures are 2 years old. The trend has been toward total coverage of life insurance by the employer. If the survey were taken today, I feel certain, the percentages would be even higher.

In your own State of New Jersey, Mr. Chairman, there is almost total enlightenment in the field of coverage of group life insurance premiums. The Newark Evening News, on January 17 of this year, ran a story announcing that 98 percent of the manufacturing plants in the State had employee life insurance programs with the company paying the entire cost of the premiums.

So, by asking for this liberalization of the program we are not asking for any new thing. We are merely asking that the U.S. Government approach the level of social enlightenment in this area which is taken for granted in the private sector.

There is another area in the life insurance field in which we would welcome an amendment.

Under the present law, we have a degrading situation. Every month after the age of 65, the value of a retiree's life insurance is reduced by 2 percent until it dwindles away to 25 percent.

It is very harmful to the morale of a retired person to know that his ability to pass something on to his survivors is diminishing at such a fast rate. Every month he sees the value of his life inexorably wearing away. The retirement years—so often and so inaccurately called the golden years—can become a nightmare of worry and frustration. A system of diminishing returns like this can even undermine the will to live.

We feel that 2 percent a month is too swift, and the 25-percent floor is too low. We would very much like the rate of diminishment to be slowed down to 1 percent a month, and the floor to be placed at 50 percent.

By making these suggestions, Mr. Chairman and members of the committee, we don't want to give the impression that we are criticizing this bill (H.R. 464) in any way. We are strongly for the legislation and we are most grateful for its introduction. We are realists. We know that only so much can be accomplished at one given time. But we also feel that we would be remiss in our duties to those whom we represent if we did not call attention to some aspects of the bill in which improvements could be made.

We are especially concerned about the plight of our retired members. You also, Mr. Chairman, have shown your deep, human concern for our retirees through your consistent championship of legislation which would make their lot in life more comfortable.

We feel that the annuity schedule for retired postal and Federal employees is inadequate in comparison with those prevailing in most large private industries. And we feel that the present life insurance program does not do them full justice.

We would very much like, for instance, to see this bill extended in its provisions so that it would take care of employees who have already retired—not just those who will retire in the future.

We would also like to see—eventually, if not now—an improvement in the Federal law which would set a minimum of \$10,000 on all employee group life insurance policies, and a depreciation minimum of \$5,000.

In addition, we would like to see the law amended so an employee who has not purchased group life insurance by the age of 50, would still be able to do so. We would not object if such employees would have to take a physical examination and pay a certain percentage of past premiums. But we would like to see them have the chance of insuring themselves in this way.

We all know men who thought they were confirmed bachelors but who were really just underestimating the power of a woman. They didn't take out life insurance during their bachelor days because they had no one depending on them. Then they marry late in life—and find they cannot take out Federal employees' life insurance because they are too old.

We think these people should have the right to change their mind about insurance—just as they had their minds changed for them about the desirability of marriage.

We are perfectly aware, Mr. Chairman, that legislation is the art of the possible and we are not going to be able to achieve perfection in the insurance program at a single bound. But we do want to go on record as favoring these possible improvements in the hope that some amendments can be made at this time.

Once again, Mr. Chairman, may I express our gratitude for what you have done and are doing toward the modernization of our life insurance program. We are deeply appreciative—and we are appreciative also of the fact that you have permitted us to come before you and express our views.

Thank you very much.

Mr. DANIELS. Our next witness is Mr. John F. Griner, president, American Federation of Government Employees, who is accompanied by Thomas G. Walters, legislative representative, and Dr. W. J. Voss, research director. Mr. Griner, you may proceed in any manner you wish. If you have a prepared statement you may submit it for the record, or you may testify orally. In either event, however, your printed statement will be incorporated in the record.

STATEMENT BY JOHN F. GRINER, PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY THOMAS G. WALTERS, LEGISLATIVE REPRESENTATIVE, AND DR. W. J. VOSS, RESEARCH DIRECTOR

Mr. GRINER. Thank you, Mr. Chairman. This organization would like to express its appreciation to you for introducing this legislation. It shows your continued interest in the welfare of the Federal employees.

I would like to file my statement this morning, but yet call your attention to some of the things that I think are more pertinent, and then I will try to answer any questions that you might have.

To begin with, we haven't changed our mind in the least from our statement last year. We still wholeheartedly support the provisions of this bill which bill was similar to the bill which was passed last year. We do, however, want to call your attention to one thing we believe to be very important, and that is that the Civil Service Commission has stated that we are now 7 cents per 1,000 in the hole. And if we don't watch ourselves, we are going to be in the same position that we are now in with respect to our retirement system.

I would hate to see our insurance system be in such a position that every time we asked for additional benefits or additional coverage that we are faced with an extremely large deficiency.

We believe that this deficiency should be picked up by the administration and not by the employees. We are of the opinion that eventually the Government should pick up 100 percent of the cost.

I would like to call your attention to some exhibits that I have in the back of my statement, which involves some of the larger companies and corporations within the United States.

You will notice in exhibit A there are three companies that pay $1\frac{1}{2}$ times the annual salary for life insurance. There is one that pays $1\frac{1}{2}$ to 2 times, and then a number of them that pay 2 times the annual salary. The Pittsburgh Plate Glass Co. pays 3 times the annual salary.

Then in appendix B—

Mr. DANIELS. Before you go to appendix B, Mr. Griner, how do they share the cost of the insurance? Does the company pick up the whole tab? Or does it pay a portion of the premium cost?

Mr. GRINER. I believe if you will turn to the last exhibit, Mr. Chairman, you will notice a lot of duplications, where the company has picked up the whole tab, some for the active employees only, some for the active duties and retired employees, and the others for the retired employees alone.

Mr. DANIELS. You're saying, however, that some of the corporations appearing in appendix B may not be the same as appear in appendix A?

Mr. GRINER. That's right. In other words, there are some of them that are not the same. My director of research tells me that for a general rule it's only on a 50-50 basis, Mr. Chairman, the share of the cost in that appendix A that are not duplicated in appendix B.

Mr. DANIELS. Thank you.

Mr. GRINER. Mr. Chairman, we would also like to call your attention to the fact that even though this bill does not include it, we would like to see this reduction reduced from 2 percent a month to 1 percent, with a minimum of 50 percent rather than 25 percent. We find that it costs as much to die now as it does to live, and surely the Government employees have a right, the same as any other group of employees, to leave some estate to their survivors.

I'd like to make just a couple of remarks concerning the Chairman's statement this morning. One of them is with respect to the \$10,000 minimum. Sure, we would like to see the \$10,000 minimum. But I find a big gap there between the person who is now in about the grade 9 or 10 and the man who is getting \$20,000 per year. In other words, it's not going to do anything for that group. Yet the administration expects that group to help to pay for this \$10,000 minimum. Certainly it's not fair and equitable.

We subscribe wholeheartedly to the 60 to 40 that you have, with the understanding that eventually we would like to see 100 percent of it paid by the Government.

And we also would like to see the \$2,000 nonreducible life insurance included in this. That will help the man who is now getting a salary between \$4,000 and \$8,000 a year. If that was included, it would make the minimum more than what it would be if we adopted the \$10,000 a year minimum.

Mr. Chairman, again I want to express our thanks for the opportunity of appearing here this morning. If you have any questions, I will try to answer them.

Mr. DANIELS. Thank you, Mr. Griner, for appearing here this morning and for your very fine testimony.

I note that your testimony is substantially the testimony you gave last year on a similar bill. Is that right?

Mr. GRINER. That's right.

Mr. DANIELS. Except that you have modified it with reference to the recommendations made by the administration this morning.

Mr. GRINER. That's right. Mr. Chairman, I'd like to call your attention to—

Mr. DANIELS. You do fully endorse the minimum \$10,000 insurance for all Federal employees?

Mr. GRINER. Oh, sure. We would like to see that. We want to also see these people between that \$10,000 and \$20,000 bracket helped some too. I would assume there are at least half of the Federal employees that are going to be in those brackets, and under the proposal of the administration, those people are going to have to pay the additional premium, the same as a person who would benefit by the \$10,000 minimum. And surely that would not be equitable.

Mr. DANIELS. The Chair proposed a question to modify the premium to 60 to 40.

Mr. GRINER. Yes, sir.

Mr. DANIELS. That meets with your approval?

Mr. GRINER. Yes, sir. For the present time, yes, sir.

Mr. DANIELS. At least they ought to accept this.

Mr. GRINER. Yes, sir. Our people would accept that, because they are getting something additional for it.

Mr. DANIELS. Thank you very much.

Mr. GRINER. But I certainly would have a lot of complaints if we did nothing for that bracket between the \$10,000 and \$20,000 group.

Mr. DANIELS. We will take your views under consideration.

Mr. GRINER. Mr. Chairman, I would like to call your attention to the first full paragraph, which is a short paragraph, on page 3 of my statement. There are some figures there that were mixed. I believe we would like to give the changes to the reporter, if it would be all right.

Mr. DANIELS. Absolutely.

Mr. GRINER. In other words, your bill will adjust the rate to 40 percent, or 3 to 2, and 60 percent for the employees. That is the essence of what was intended.

Mr. DANIELS. Your entire statement will be printed in the record, Mr. Griner.

Mr. GRINER. Thank you, sir.

Mr. DANIELS. Thank you.

(Mr. Griner's statement is as follows:)

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

The American Federation of Government Employees supports the bill, H.R. 464, sponsored by Representative Daniels as one of the most important items of legislation before the 90th Congress. We congratulate Mr. Daniels for the interest he has shown in Federal employees by seeking to give them a benefit which has such wide application.

This bill is of vital concern to our organization because it can benefit our entire membership of approximately 240,000. We can in fact speak for an additional 100,000 Federal employees—nearly 350,000 altogether—because of the large number we represent on the basis of exclusive agreements negotiated under Executive Order 10988, the order which established the employee-management cooperation program in the Federal service.

We favor this bill because the increased amount of life insurance and other improvements to the Government life insurance system which it provides would achieve substantial comparability with the insurance benefits many large firms offer their employees. It is a program which should be improved from time to time to reflect the advances in coverage which have been adopted by employers in the private sector of the economy. However, since it was initiated more than 12 years ago, there has been no significant change in its terms.

The bill, H.R. 464, would increase the group life insurance coverage of a Federal employee to about $1\frac{1}{2}$ times the amount of annual salary. The bill also would provide an equal amount of group accidental death and dismemberment insurance. The coverage of each type of insurance is presently equal to an employee's annual basic salary or wage rounded off to the next higher thousand dollars.

Each insured employee, under terms of this bill, will receive an additional group life insurance and accidental death and dismemberment insurance amounting to \$2,000. This would be in addition to the increased coverage of group life insurance and group accidental death and dismemberment insurance.

The additional insurance will be nonreducing. The remaining insurance coverage based on the employee's basic compensation, as presently required by law, will be reduced at the rate of 2 percent a month, beginning the first month after retirement or upon reaching age 65 until its value reaches 25 percent of the original value.

The AFGE believes that this additional insurance should be made available to those persons who are presently on the Federal Civil Service retirement rolls by giving them an opportunity to purchase this additional coverage of \$2,000 nonreducing life insurance.

One important advantage of this nonreducing insurance is its benefit to employees in the salary and wage brackets between \$4,000 and \$8,000, which included 41 percent of all life insurance claims filed in fiscal year 1966. Here the additional \$2,000 of life insurance increases the amount of coverage substantially. If the employee receiving a salary of \$8,000 a year, adds the \$2,000 nonreducing policy, his reduceable policy would amount to \$2,000 following retirement or upon reaching age 65. The additional nonreducing coverage would bring his coverage to \$4,000, or 50 percent of his original policy, as compared with the 25 percent remainder as at present.

We believe, Mr. Chairman, that serious consideration should be given to amending H.R. 464 to reduce the rate of reduction of the basic reduceable insurance from the present 2 percent a month to 1 percent a month and end the reduction of value of the policy at 50 percent instead of the 25 percent which becomes the final value under existing law. Of course, this change would increase the cost of the life insurance program, but the AFGE concedes that a reasonable increase in the employee's contribution would be in order in return for the greater coverage which would ultimately be available.

The life insurance premium is now fixed at 25 cents per biweekly pay period for each \$1,000 of insurance coverage. The Daniels bill would adjust this rate of 2-1 to 3-2, the employee paying 60 percent instead of 66 $\frac{2}{3}$ percent as at present.

With the employee paying 25 cents biweekly and the Government contributing 12 $\frac{1}{2}$ cents, the present biweekly payment per \$1,000 totals 37 $\frac{1}{2}$ cents. To cover the existing deficit it would be necessary to increase the total payment to 44 $\frac{1}{2}$ cents. We believe it is important to cover the existing deficit which has been estimated as requiring this additional 7 cents.

Private industry provides ample precedent for the improvements in the life insurance program which the Daniels bill proposes. When comparison is made, it should, of course, be with enterprises which are among the largest in size to resemble the vast operations of the Government of the United States. Thus, it is that we have examined the record of large companies in providing life and accident insurance for their employees. The latest available study by the Bureau of Labor Statistics indicates that 22 of the large companies provide basic life insurance ranging from $1\frac{1}{2}$ -3 times an employee's annual salary. The programs

are geared to salaries that range upward from the lowest rate paid to Federal employees.

There are 17 companies which offer insurance coverage equal to twice an employee's annual salary. Among them are General Motors Corp., General Electric Co., the Prudential Insurance Co., and the Sinclair Oil Co. Such firms as the Borden Co., the Radio Corp. of America, and the International Harvester Corp. provide insurance equal to 1½ times basic salary. The companies are listed in appendix A appended to this statement.

Similar advances have been made in the life insurance program many companies have made available to their production workers who are covered by collective bargaining agreements. A recent study by the Bureau of Labor Statistics reveals that such firms as Continental Can Co., General Foods Corp., the Radio Corp. of America, and Westinghouse have included life insurance equal to 1½ times basic compensation in union contracts.

Coverage equivalent to two times the basic rate of pay is included in union agreements with American Can Co., Liggett and Myers Tobacco Co., Philip Morris, Inc., Sinclair Oil Co., Sperry Gyroscope Co., Pennsylvania Power and Light Co., and Socony Mobil Oil Co.

In appendix B appended to this statement are listed firms that pay the full cost of life insurance for their employees. The list includes 14 firms that pay the full cost for both active-duty and retired employees. Nine other companies pay the total cost of insurance for active-duty employees, while eight others pay all the cost for retired workers.

It is our belief that the ultimate objective should be for the Federal Government to pay the entire cost of life insurance for its employees. As herein indicated, it would be no innovation but would merely reflect the practice of large firms in private industry.

It is a fact the private enterprise is providing increasingly liberal benefits for its salaried employees, particularly life insurance, and also accident, death and dismemberment insurance, and death benefits. A Bureau of Labor Statistics survey described in Bulletin No. 1470, page 91, indicates that industry devotes nine-tenths of 1 percent of total payroll to life and accident insurance programs, while the Federal Government spends but three-tenths of 1 percent, or one-third that of private enterprise.

The AFGE indorses H.R. 464 as a desirable measure which would serve to bring the insurance program in the Federal service notably nearer that available to employees of large enterprises. We are appreciative, Mr. Chairman, that we have been given this opportunity for comment on this bill.

APPENDIX A

AMOUNT OF BASIC LIFE INSURANCE

One and One-Half Times Annual Salary

The Borden Co.
International Harvester Co.
Radio Corp. of America.

One and One-Half to Two Times Annual Salary

Safeway Stores, Inc.

Two Times Annual Salary

American Airlines.
American Can Co.
Caterpillar Tractor Co.
Eastman Kodak Co.
General Electric Co.
General Motors Corp.
S. S. Kresge Co.
Liggett & Myers Tobacco Co.
North American Aviation

Charles Pfizer and Co., Inc.
Prudential Insurance Co.
Sinclair Oil Co.
Sperry Gyroscope Co.
J. P. Stevens and Co.
Time, Inc.
Union Carbide Corp.
United States Lines

Three Times Annual Salary

Pittsburgh Plate Glass Co.

APPENDIX B

COMPANY PAYS FULL COST OF BASIC LIFE INSURANCE

For Active-Duty Employees

Bethlehem Steel Corp.
 Cluett Peabody and Co., Inc.
 Consolidated Foods Corp.
 Crown Zellerbach Corp.
 Douglas Aircraft Co., Inc.
 Gimbel Brothers, Inc.
 McCrory Corp. (McCrory-McLellan-Green Stores Division)
 Research Institute of America Inc.
 Time, Inc.

For Active-Duty and Retired Employees

Aluminum Corp. of America	International Paper Co.
The Chase Manhattan Bank	Pennsylvania Railroad
Detroit Edison Co.	Radio Corp. of America
E. I. du Pont de Nemours & Co.	Sperry Gyroscope Co.
General Motors Corp.	United States Lines Corp.
Goodyear Tire & Rubber Co.	United States Steel Corp.
International Business Machines Corp.	Weyerhaeuser Co.

For Retired Employees

American Telephone & Telegraph Co.	Kroehler Manufacturing Co.
The Borden Co.	Pacific Gas & Electric Co.
Eastman Kodak Co.	Pittsburgh Plate Glass Co.
General Electric Co.	Safeway Stores, Inc.

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

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

Mr. McCART. Good morning, Mr. Chairman.

Mr. DANIELS. Good morning.

Mr. McCART. We have supplied the subcommittee with a copy of our prepared statement, Mr. Chairman.

Mr. DANIELS. Mr. McCart, I noticed you had a short statement. You may submit your statement for the record, and summarize it if you wish, or proceed in any fashion that you deem advisable.

Mr. McCART. I would be happy to summarize it extemporaneously, Mr. Chairman.

First, I want to say that the 34 AFL-CIO unions associated with our organization are deeply grateful to you for your persistence and your continued interest in Government workers through your introduction of H.R. 464. I say that in the light of what occurred last year with respect to identical legislation.

I think it's well to keep in mind, Mr. Chairman, that when the Life Insurance Act was originally enacted in 1954, Congress took a conservative approach because this was the largest project of its kind ever attempted in the entire world. As a consequence, the proponents wanted to make certain that it would survive the test of time.

With that background then, some 13 years later the need for revision is rather apparent.

Let me bring to your attention, Mr. Chairman, a few simple figures. I want to refer you to page 2 of my statement, in which we enumerate

the salary ranges of the classified employees in GS-5, the postal employees in level 4, and the craftsman under the blue-collar wage system. For postal level 4 and GS-5, the commencing salary is \$5,331; the maximum salary for GS-5 is \$6,915; and for postal level 4, it is \$7,267; for the wage board craftsman here in the Washington, D.C., area, the range is \$6,739 to \$7,322.

I think the important thing is that these figures yield a substantially lesser amount when the full reduction, now in the law, goes into effect. For example, for the postal and classified employees, their policies will be worth only \$1,332 to \$1,817, depending on the step they occupy. And for the wage board employee, the range of the value of the policy will be \$1,785 to \$1,830.

I do not think it's necessary, Mr. Chairman, to emphasize at any great length the inadequacy of these sums.

Mr. DANIELS. When you are referring to the ultimate value of the policy, do you mean the amount of benefits paid to the beneficiaries?

Mr. McCART. With the full reduction in effect. It is unnecessary to emphasize in great detail the inadequacy of these amounts in terms of today's funeral costs, much less leaving anything for the survivors. So the \$2,000 additional nonreducible life insurance provided in H.R. 464 is fully justified.

We hope that this kind of provision can be extended to those already retired.

As to the change in ratio of contributions proposed in H.R. 464, let me bring just two salient points to your attention. The first is that Mr. Clague, the then Commissioner of Labor Statistics, in 1965 spoke on this matter before a subcommittee of the full Civil Service Committee, and he said this:

One-fourth of the companies reporting data paid all of the costs of health, accident and life insurance plans; three-fourths of those with contributory plans paid more than half the cost; the Federal contribution is less than half.

Then in October 1966, the Bureau of Labor Statistics released Bulletin 1465-86, entitled "Wages and Related Benefits, Part I, for 84 Metropolitan Areas." Their figures reveal that nationwide the blue-collar or plant workers in 60 percent of the cases received their life insurance free and for office workers that percentage is 55.

Thus, the proposal in H.R. 464 for changing the ratio roughly to 60-40 is a modest one. We favor the increase in the maximum insurance available to \$40,000 in order to maintain the relationship between salary developments and insurance coverage that have occurred since 1954.

The council also favors the proposal to provide authority for the Commission to adjust rates. However, we believe that the Congress should retain the power to fix the ratios. In that connection, Mr. Chairman, I might add that if the ratio proposed in your bill is adopted, the employees will be paying approximately 5 cents per 1,000 per month additional.

I mention this because I think it's a good faith sign on the part of the employees that they are willing to bear their fair share of the cost. We heartily endorse your legislation, Mr. Chairman, and hope that the subcommittee will take early favorable action on it.

That concludes my presentation.

Mr. DANIELS. Thank you, Mr. McCart.

Mr. McCart, you were present this morning when Commissioner Macy testified. Do you have any opinion to express with reference to the new proposals he advanced this morning—that is, to give every Federal employee a minimum amount of insurance of \$10,000?

Mr. McCART. Well, I have two comments, Mr. Chairman. The first is that it's rather encouraging to find the Chairman of the Civil Service Commission, as an administration spokesman, taking a slightly different position than was reflected in the President's veto of the bill last year.

As for the \$10,000 minimum coverage, this is attractive, but certainly we can't ignore the equity of those employees who have larger than \$10,000 salaries.

My recollection is that in the Classification Act service at least, there are roughly 40 percent of the employees who occupy grades above GS-9. If something were not done to increase their maximum also, it would be somewhat inequitable.

But the suggestion of the Civil Service Commission is certainly a step in the right direction, and we applaud it.

Mr. DANIELS. The Chair advanced the thought that the premium formula with respect to sharing costs might be changed to 60-40 and that it would entail a cost estimated to be \$18.5 million. Do you have any idea that you might advance that, instead of changing the formula, that you might adopt some other sort of an option to improve the program?

Mr. McCART. Well, Mr. Chairman, I think it's most important that there be some revision of the present formula and I say that, realizing full well the desirability of additional benefits. But the fact is, as the figures Mr. Macy presented reveal, that private industry is putting almost 1 percent of payroll more into their life and health insurance programs than the Federal Government, it is one thing to say that the private sector of our economy is paying in total about the same amount for fringe benefits as the Federal Government. But it's quite another to look at the various elements in that table and to learn that the Federal Government is really behind private industry in regard to life insurance, to the extent of many private companies defraying the entire cost. So I believe there is a necessity for changing the present ratio.

The committee will decide whether that should be done, or to what degree it should be done. We advocate the change proposed in the bill. If the subcommittee feels that that must be revised in the interest of practicality, we would certainly accept that decision.

Mr. DANIELS. I might say this to you, Mr. McCart, and all the other witnesses here, that Mr. Macy this morning advanced some new thoughts and proposals. This may have taken some of the witnesses, who had intended to testify here today, by surprise.

Now, any of the witnesses who desire to supplement the statements that have already been given will have the opportunity of doing so by filing your additional views at a later date before these hearings close. I want to make that very clear.

Mr. Devlin will notify those witnesses who have already testified that if they desire to supplement their views by an additional statement, that they may do so.

Thank you very much, Mr. McCart.

Mr. McCART. Thank you, Mr. Chairman.

(Mr. McCart's prepared statement follows:)

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

Mr. Chairman and members of the subcommittee, at the outset, a word of sincere appreciation is in order, as you, as chairman of the Subcommittee on Retirement, Insurance and Health Benefits, and as author of H.R. 464. The Federal Government's insurance program for its employees is a very important aspect of its basic personnel program. However, it has not been revised to any substantial degree, since enactment of the original plan in 1954.

The 34 AFL-CIO unions associated with the council join me in commending you and your associates for arranging this hearing on a subject with which the subcommittee is thoroughly familiar. Through your cooperation last year, Congress approved the improvements incorporated now in H.R. 464. We were keenly disappointed when the measure failed to become law because of the President's disapproval.

Enactment of the life insurance program more than a decade ago marked a significant step in the Government's efforts to provide for its employees fringe benefits similar to those in private industry. However, when it became law in 1954, its congressional proponents felt the need for a conservative approach with respect to benefits and contributions because the Federal Government as an employer was embarking on the largest undertaking of its kind in the country. They were anxious to insure the ability of the program to fully meet its obligations to the employees because failure to do so would prove catastrophic to these workers and could seriously impair the development of employer-employee insurance plans in other sectors of our economy. The time has now arrived when a substantial modification of the plan is in order.

H.R. 464 provides needed changes in the system if the Federal Government is to maintain the status of an enlightened employer.

The bill now under consideration expands coverage to one and one-third the employee's annual salary and makes available an additional \$2,000 of life, accidental death and dismemberment insurance, which would not decline when an individual retiree's.

Coverage provided under the 1954 act is the sole source of insurance for many Federal workers and a primary source of financial protection for many more.

During the past 13 years, the cost of higher education has skyrocketed and real estate, food, and clothing costs have increased substantially. It is these basic expenses that the families of deceased Federal employees must meet from the proceeds of insurance policies issued under the Federal program. Thus, the need for additional protection has increased significantly since the original law was enacted in 1954.

Putting the problem in more practical terms, the present salary ranges of postal, classified and wage board employees verify the need for change. The entrance level for postal level 4 and GS-5 is \$5,331. The maximum step for GS-5 is \$6,915; for postal level 4 it is \$7,267. For a wage board craftsman in Washington, D.C., the range is \$6,739 to \$7,322.

With the full reduction in effect under present law, policies of postal and classified workers in these categories are worth only \$1,332 to \$1,817. The ultimate value of a policy held by a skilled wage board employee in this community is \$1,685 to \$1,830.

In terms of today's funeral and other final costs, an individual's family is left with a negligible sum to meet the necessary expenses when an employee or annuitant dies. The \$2,000 of nonreducible insurance in H.R. 464 is needed so that the covered employee or retiree will be able to bequeath his survivors a modest, but much more realistic amount.

However, we feel that this benefit should be extended to those now on the annuity rolls or beyond age 65, because their survivors are the ones who have or will experience serious economic hardship.

A highly important feature of the pending bill increases the Government's contribution to the insurance program. The present ratio is 67 percent by employees and 33 percent by the Federal Government. Under H.R. 464, the employee would pay 60 percent of the cost and the employer's share would be 40 percent. This is a most desirable provision of the bill.

In June, 1965, Mr. Ewan Clague, then Commissioner of Labor Statistics, made this statement to a subcommittee of the House Post Office and Civil Service Committee:

"One-fourth of the companies reporting data paid all of the costs of health, accident, and life insurance plans. Three-fourths of those with contributory plans paid more than half the costs. The Federal contribution is less than half."

In October, 1966, the Bureau of Labor Statistics developed figures on private industry life insurance separately. Labor Department research reveals that in private industry 60 percent of plantworkers and 55 percent of office employees receive life insurance coverage free of charge.

On the basis of this evidence, the request of Federal employees that the Government bear at least one-half the cost of insurance coverage is modest, indeed. If the Congress believes that the improved cost-sharing in H.R. 464 is the most that can be accomplished from a practical legislative standpoint, we view such action as a significant step forward.

H.R. 464 increases the maximum insurance available to \$40,000. The council believes this change is highly desirable because it will extend equal coverage approximating salary for all those included in the program. In the light of salary adjustments which have occurred since the insurance system was inaugurated, an increase in maximum coverage is fully justified.

Authority for the Civil Service Commission to determine the actual cost of insurance and to make necessary adjustments in the total to be paid will aid in avoiding any actuarial deficit in the insurance fund. Because of the familiarity of subcommittee members with the actuarial inadequacy of the civil service retirement fund, it is unnecessary to belabor the advisability of preventing a similar occurrence in the insurance system.

If the Commission determines that an upward revision of rates is essential, we assume, of course, that the employee committee designated in section 12(b) of the Federal Employees' Group Life Insurance Act of 1954, as amended, will be consulted and that our organizations will have an opportunity to respond before the increase in premiums takes effect.

While the bill permits the Commission to adjust total premiums to meet changing needs, it would not be authorized to revise the ratio of contributions by the Government and its employees. We feel it completely appropriate that Congress retain the authority to fix the proportion of the premium to be paid by the two parties.

Again, we express gratitude for your interest in this legislation, and request early, favorable action on H.R. 464.

Mr. DANIELS. The Chair wishes to announce that he must participate in a debate on a bill which is coming up on the floor in this afternoon's session. So, therefore, his time is limited. He would like to listen to all of the witnesses who have been notified to appear here this morning, but that is a physical impossibility. So I will try to squeeze in one additional witness with the admonition that he submit his statement for the record, and if he will, give oral testimony. If we have time for questions and answers we will go into it.

So the final witness for today will be Mr. David Silvergleid, secretary-treasurer of the National Postal Union.

STATEMENT BY DAVID SILVERGLEID, SECRETARY-TREASURER, NATIONAL POSTAL UNION

Mr. SILVERGLEID. Thank you very much, Mr. Chairman, I am not going to impose on your time limitation. I would like, as the other witnesses have done, to submit our prepared statement for the record and there are just one or two comments I would like to make.

Mr. DANIELS. Without objection, your prepared statement will be entered in the record following your oral comments.

Mr. SILVERGLEID. Frankly, I think some of us were caught by surprise, and I might add that I was personally very much gratified to listen to the recommendations of the Chairman of the Civil Service Commission.

In the first place, listening to his testimony before a Senate committee on a similar bill, he at that time presented the same inflexible attitude he had displayed last year. The most the administration would go for, in effect, was an increase at the top and an increase in premiums with no benefits to those below the \$20,000 bracket.

I think the proposals he offered today demonstrate that there is some flexibility as far as costs are concerned.

Mr. DANIELS. That may be due to the fact that both the committee in the other body and the committee in this House did not go along with his recommendation.

Mr. SILVERGLEID. I think that is exactly it. I believe that the fact that the subcommittee of the Senate has already approved the Brewster bill and that this subcommittee, with you as chairman, Mr. Daniels, has indicated so much interest in H.R. 464, in all probability the administration has decided it might avoid a frontal battle on this and try to meet us half way.

I would like to say this, as far as our position is concerned, we re-endorse H.R. 464. We support that bill fully at this time, although of course we believe, as other witnesses have stated, that the Government should take on the burden of the full premium.

We suggest, Mr. Chairman, that consideration be given to adding the Commission's proposal for a \$10,000 minimum to H.R. 464, as an amendment.

We believe that Federal employees, particularly postal workers in the lower categories, need that kind of protection. I am glad, I am indeed gratified to see that the administration finally admits that group life insurance is not strictly supplementary, but is an absolute necessity for people who earn less than \$10,000 a year. I'm hopeful that the subcommittee will consider that as an amendment, with the thought in mind that the only added cost involved is approximately \$16 million. Because, as the chairman pointed out, this will be applicable to a great extent to people in younger age categories and therefore will not cost too much money.

Now, I must admit I am at a loss to understand—although he answered the question apparently to your satisfaction, Mr. Chairman—how he was able to arrive at a lesser cost with greater benefits. Under his previous proposal the premium would be 45½ cents per pay period. Under the current proposal, it drops to 40½ cents. And I hope that some day an actuary can give me a true picture of how they arrived at those estimates. I admit I don't understand it at the present time.

I want to thank the chairman for this opportunity. We appreciate your interest in this legislation. We know that the estimated cost of giving the retirees benefits seems to be a big figure, but we believe these people are entitled to consideration. We are hopeful something can be worked out so that they will get some benefits from this legislation.

Thank you very much, Mr. Chairman.

Mr. DANIELS. It's always a pleasure to have you here, Mr. Silvergleid. Your testimony is always refreshing. I want to assure you that your written statement will be carefully studied by the Chair.

Mr. SILVERGLEID. Thank you very much.

(The prepared statement follows:)

PREPARED STATEMENT OF SIDNEY A. GOODMAN, PRESIDENT, NATIONAL POSTAL UNION, AS SUBMITTED BY DAVID SILVERGLEID

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, and executive vice-president, Ben Sufian. We represent over 60,000 postal employees, organized in excess of 500 local affiliates in 50 States, including Alaska, Hawaii, Puerto Rico, and the District of Columbia.

We are grateful, Mr. Chairman and members of this subcommittee for these early hearings on H.R. 464, a bill to liberalize life insurance benefits for postal and Federal employees. We fully support the principles of this legislation, and are appreciative of the opportunity to express our views before your subcommittee.

National Postal Union is mandated to seek legislation providing a group life insurance policy for all postal employees, in the minimum amount of \$10,000, except for those employees whose salaries exceed that figure. For such employees, we advocate a policy equal to 150 percent of their annual salaries, to the next higher \$1,000. We also feel there should be no decrease in the face value of the policy after retirement, and that the Government should defray the full premium cost.

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

The U.S. Civil Service Commission has frequently stated that Government group life insurance is intended to supplement private insurance and not replace it. The fact is that the vast majority of postal employees cannot afford the cost of adequate life insurance.

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

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

However, we are fully cognizant of the cost element that would be involved in full payment of life insurance premiums at this time by the Government. We appreciate the chairman's efforts to provide warranted coverage and apportion premium costs on a more equitable and reasonable basis.

Basically, H.R. 464 provides the following changes:

(1) The insurance available, currently with a ceiling of \$20,000, would be increased to $1\frac{1}{2}$ times an employee's salary, raised to the next higher \$1,000, up to a \$40,000 maximum.

(2) Each insured employee would be automatically granted an additional \$2,000 unit of life insurance and accidental death and dismemberment insurance starting the first pay period which begins at least 60 days after enactment.

(3) The regular insurance provided would still be reduced after age 65 when retained free after retirement—2 percent a month, with reductions stopping at 75 percent. The \$2,000 added unit would not reduce when retained free after retirement.

(4) Effective the first pay period which begins not less than 60 days after enactment, employees would have to pay three-fifths (60 percent) of the level biweekly cost, determined by the Commission, of the insurance provided. Agencies would pay two-fifths (40 percent) of the level biweekly premium cost. Under this ratio, employees would be required to pay 29 cents, and the Government 20 cents biweekly per \$1,000 of insurance.

H.R. 464 is identical to H.R. 6926, which was approved by both Houses of the 89th Congress and subsequently vetoed by the President. In disapproving the measure, President Johnson described it as "inflationary," and the result of little or no consideration in either House of Congress.

Upon receipt of the veto message, the distinguished chairman of the Senate Post Office and Civil Service Committee, Senator A. S. "Mike" Monroney, told the Senate on September 13, 1966, that he was "genuinely disappointed" at the action taken by the President. The distinguished Oklahoma legislator further stated, "The bill proposed by the administration in 1965 and reendorsed by the President last night would benefit a few thousand high-ranking Federal employees, Presidentially-appointed executives, Members of Congress, and the Supreme Court, but it would do nothing at all for the 2½ million Federal employees who earn less than \$20,000 a year. Our basic concern was to improve employment benefits affecting the vast majority of our employees who are in the rank and file positions in the postal service, the classified service, and the other branches of the Government."

We must again emphasize that the payment of 60 percent of premiums by the employee and only 40 percent by the employer still leaves the U.S. Government behind the more enlightened practice in private industry in which the employer pays the entire cost. We also feel strongly that the reduction to 25 percent of the face value of the original policy after age 65 is uncalled for. We urge approval of the proposal offered by numerous Members of Congress that the reduction be at the rate of 1 percent per month to a floor of 50 percent.

To sum it up, H.R. 464 goes a long way toward eliminating many of the inequities of the present law. We support the principles of H.R. 464 although we believe additional benefits are warranted at this time.

We sincerely appreciate the very evident interest of the chairman and members of this subcommittee in the subject of life insurance which is of vital importance to Government workers. We are grateful for this opportunity to express our views.

Mr. DANIELS. I would like to announce that any person who has been notified to be here today as a witness, if they desire to do so, may file their written statements inasmuch as the Chair nor the subcommittee has time to hear any further witnesses today. There will be at least one more day of hearings at some future date, to be announced by the Chair.

Thank you very much.

(Whereupon, at 12 noon, the subcommittee was recessed, subject to the call of the Chair.)

(The following statements were furnished for inclusion in the record.)

PREPARED STATEMENT OF ORGANIZATION OF PROFESSIONAL EMPLOYEES, U.S.
DEPARTMENT OF AGRICULTURE

This organization, representing 8,400 professional employees of the U.S. Department of Agriculture, wishes to give full support to H.R. 464. There is a strong interest among our membership for liberalized life insurance benefits. H.R. 464 provides improved benefits under the Federal Employees Group Life Insurance Act of 1954, which are in line with the practices of industries employing professional people. The proposed insurance benefits would place Federal agencies in a better competitive position when employing professional personnel and so benefit to the Government as well as to the employees would accrue. Increasingly, the thoughtful professional employee with family obligations evaluates his remuneration not only on the basis of his salary but also in terms of the financial protection that he can give his family through job related insurance. It is appropriate that as Federal salary scales are increased, the maximum amounts of allowable life and related insurance also be increased.

The additional employee cost is probably justified. In this connection, however, it should be pointed out that the trend in industry is to be more liberal than the Federal Government in the proportion of the premiums paid by the employer.

More than 1,100 OPEDA members are retirees. Several of them have expressed a need for an increase in their life insurance as a protection against increased cost of living for surviving members of their families. We recommend that the addition of the \$2,000 insurance provision be made retroactive to 1954.

The question of cost naturally arises.

In June 1966 there were 393,372 retirees who carried policies with the Federal employees group life insurance program. It is estimated that at the present time there are in excess of 400,000 retirees in this program.

The Civil Service Commission also estimates that the cost of providing an extra \$2,000 of life insurance for Government employees, and the 400,000 annuitants would be \$36 per year per person. If 60 percent of this cost is defrayed by the employee and 40 percent by the Government, the annual payment per person would be \$21.60 and \$14.40 for the employee (or retiree) and the Government, respectively.

It is recommended that each of the estimated 400,000 retirees be given the option of obtaining the additional \$2,000 in insurance, with the proviso that he pay the same premium as required of active employees. His part of the premium could be deducted from his monthly annuity check just as Government health insurance premiums are presently deducted.

The total cost of the Government for inclusion of retirees in this plan is estimated at \$5,760,000. This is considered to be a reasonable and practical way to provide, in many cases, much needed additional insurance at a low cost both to the retiree and the Government.

We are most appreciative for this opportunity to testify in support of this progressive legislation.

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

Mr. Chairman and members of the subcommittee, our association of over 25,000 members adopted the following resolutions at the 28th Annual Convention of National Association of Internal Revenue Employees held August 29 through September 3, 1966 in New York, N.Y.

"RESOLUTIONS

"EXTENDED LIFE INSURANCE FOR FEDERAL EMPLOYEES

"Whereas the Congress has passed H.R. 6926 covering extended life insurance for Federal employees; and be it

Resolved, That a telegram be sent to the President of the United States indicating that this 28th Convention of the National Association of Internal Revenue Employees unanimously urges his signing of this necessary legislation for the good and welfare of all Federal employees.

"LIFE INSURANCE

"Whereas, Federal employees are now permitted to participate in a life insurance program whereby they are permitted to purchase life insurance in an amount equal to their salary and

"Whereas, this insurance is continued in force after retirement but is subject to a reduction of 1 percent per month after age 65 until the face value of the policy is reduced to 25 percent of the original amount; and be it

Resolved, That NIRE press for legislation to the effect that the reduction in coverage as stated above be no more than 50 percent of the original amount of the policy."

Our association is glad to respond, Mr. Chairman, and recommend increase in life insurance coverage for Federal employees. Just recently I read that "over 19 million Americans are 65 or older—a number equal to the combined populations of 20 States. One out of every 10 citizens is in this age group—more than twice as many as a half-century ago. The American born today has a life expectancy of 70 years. Tomorrow, the miracles of man's knowledge will stretch the life span even farther."

Life insurance is vitally important to persons in all walks of life, and particularly to salaried workers in the lower income brackets. It is often the only means by which they can provide a small estate at time of death, or even provide

money to absorb funeral expenses. Millions of Government employees, wives, and children depend heavily on the Federal employees life insurance program for a major part of their insurance protection.

Our association has felt the present reduction of insurance by 75 percent after retirement proved to be too drastic. Many thousands today find they have lost three-fourths of the insurance coverage they had when they retired.

Mr. Chairman, we urge that H.R. 464 be amended to extend to present retirees the change in reduction rate from 2 to 1 percent per month, to limit the reduction of their insurance to 50 percent, and to restore to 50 percent of original value all insurance now in force which had decreased to less than 50 percent of such value.

We recommend—

(1) An increase of approximately one-third in the basic coverage of the majority of employees;

(2) An increase in the maximum amount of coverage from \$20,000 to \$40,000;

(3) An additional \$2,000 of insurance which will not be affected by the reduction after retirement;

(4) That the Federal Government participate on a 50-50 basis on any premium.

(5) That the reduction after 65 be the rate of 1 percent a month rather than 2 percent per month.

We think H.R. 464 is very wholesome legislation.

The Federal life insurance program is a godsend to all Federal employees, and this additional protection will afford a certain comfort for the families.

Mr. Bursach and I wish to express our appreciation, Mr. Chairman, for the opportunity to make these comments on this legislation.

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

Mr. Chairman and members of your subcommittee, for the record my name is Harold McAvoy. I am national president of the National Association of Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders. We are part of the AFL-CIO and the Government Employees' Council.

At this time, our national organization would like to go on record as fully endorsing the contents of H.R. 464. Legislation of this kind is long overdue, and our national organization urges you and the committee members to give speedy and favorable consideration to this worthy piece of legislation.

In closing, I wish to say "Thank you" to you and the committee members, for allowing your writer the privilege of appearing before you, whereby I could express the thinking of our national organization.

IMPROVED LIFE INSURANCE BENEFITS

FRIDAY, MAY 12, 1967

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

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 346, Cannon Building, Hon. Dominick Daniels (chairman of the subcommittee), presiding.

Mr. DANIELS. The subcommittee will come to order.

The Subcommittee on Retirement, Insurance, and Health Benefits is meeting this morning for the purpose of taking additional testimony from the public witnesses on H.R. 464, a bill to improve the group life insurance protection of Federal employees, and to strengthen the financial condition of the insurance fund.

The Chair desires to express its regret that the subcommittee was unable to hear all the witnesses during the initial hearing on May 1. However, it is deemed advisable to give all of you an opportunity to present direct testimony, particularly in view of the developments during that session.

We do appreciate your coming back this morning to give us the benefit of your views on a subject that is of vital concern to all Government employees.

It is a pleasure to welcome back as our first witness the president of the National Rural Letter Carriers' Association, Mr. Carey W. Hilliard, and his associates.

STATEMENT OF CAREY W. HILLIARD, PRESIDENT, NATIONAL RURAL LETTER CARRIERS ASSOCIATION, ACCOMPANIED BY HERBERT F. ALFREY, VICE PRESIDENT, AND JOHN W. EMEIGH, SECRETARY

Mr. HILLIARD. Thank you.

Mr. Chairman, members of the subcommittee, I appreciate the opportunity of appearing before you today to express the views of our association membership on H.R. 464 and related bills. My name is Carey W. Hilliard, I am president of the National Rural Letter Carriers' Association, an organization representing more than 62,000 regular, substitute, and retired rural carriers. Our membership includes more than 90 percent of all regular rural letter carriers of the Nation.

Today I am accompanied by our vice president, Herbert F. Alfrey on my right, and our secretary, John W. Emeigh.

At the outset we wish to commend you, Mr. Chairman, for your introduction of H.R. 464, a bill to improve the group life insurance protection of Federal employees and to strengthen the financial condition of the insurance fund, a most important and beneficial legislative proposal.

In addition, we wish to also thank Mr. Olsen for his introduction of H.R. 3380, and we are most appreciative and fully cognizant of the many bills which have been introduced by other Members of the Congress which would liberalize and improve the life insurance program.

Our association strongly supports the provisions of H.R. 464, H.R. 3380, and related bills which would: (1) increase the amount of life insurance to $1\frac{1}{3}$ times the annual salary; (2) grant an additional \$2,000 of insurance not subject to the reduction formula; (3) improve cost-sharing ratio between the Government and employee 60 percent to 40 percent versus present $66\frac{2}{3}$ percent to $33\frac{1}{3}$ percent; (4) modify the present rate of decline at age 65 or retirement, whichever is later, to 1 percent per month to a minimum of 50 percent; and (5) restore all such insurance in force on date of enactment to 50 percent of amount in force before the first reduction.

We would also recommend that those already on the retired rolls be granted the additional \$2,000 which would not be subject to the reduction formula.

The provisions outlined above are, indeed, constructive improvements in the Federal Group Life Insurance Act. In fact, these liberalizations, if enacted, would constitute the first major improvements since enactment of Public Law 83-598 of 1954, when the act was originally established. These improvements are highly desirable and would update this fringe benefit of employment with benefits generally provided by the private sector of our economy and major employers.

When appearing before the Senate Subcommittee on Retirement and Insurance, Chairman Macy of the Civil Service Commission noted the significant improvements in survivorship annuity benefits subsequent to 1954. While we readily concur and agree with the Chairman in this regard and gratefully acknowledge the added benefits granted, we cannot however agree that improvements in this area in any way negate the need and desirability of liberalizing the Federal group life insurance program in order to meet the needs of the day.

The increasing cost of living, and the need to provide a more adequate income under our retirement systems to more nearly meet the realistic costs of maintaining an acceptable standard of living, has resulted in congressional action over the years to liberalize survivorship annuities. This survivorship annuity income does certainly affect the financial ability of survivors to cope with the economic needs of the day. The improvements in this area, however, cannot supplant the need for the best possible life insurance protection.

The hard, cold facts of life clearly disclose that any man who strives to plan a measure of financial security for his family in the event of his death must rely to a great degree on the amount of life insurance he can provide. With the cost of rearing children and providing for their education, it must be recognized that annuity income presently

provided for survivors would fall miserably short of being sufficient in the vast majority of cases.

Our members feel the need of greater financial protection for their families. It is only logical that they feel this can best be accomplished by improving the existing life insurance program. The bills under consideration before this committee would go a long way toward providing the increased measure of protection which we feel is but sound family security planning. There is no reason why this should not be accomplished within the framework of the Federal employees group life insurance program.

We would like to make it clear to this committee, Mr. Chairman, that our members strongly support any necessary change in the costing formula to assure financial stability of the life insurance fund.

In this regard, however, we do recommend that the cost-sharing formula be revised to more equitably assess the cost between the Government and the employee.

Statistical data which is already available to this committee clearly discloses that the U.S. Government is lagging behind in this particular area of fringe benefits to its employees. The majority of private industries already equally share the cost with their employees, while many pay the complete and total cost. The U.S. Government has an obligation to be a model employer, and we therefore believe that the present costing formula should be adjusted.

The provisions of H.R. 464 would provide for a 60-percent contribution by the employee and 40 percent by the Government. We feel that a 50-50 cost-sharing arrangement is completely justified at this time.

However, any improvement would be welcomed, most particularly if it is coupled with the increased coverages which are needed to liberalize the insurance protection made available.

Mr. Chairman, this committee and the Congress saw fit in the last session to approve legislation quite similar to H.R. 464 under consideration today. We believe the desirable improvements it would provide, the merits of the legislation, are even more important today than a year ago. We wholeheartedly endorse the liberalizations proposed in H.R. 464 and urge approval of this legislation.

We would also urge consideration of the provisions of H.R. 3380, the bill introduced by Congressman Olsen to which we referred previously, which would greatly improve the insurance program by changing the rate of reduction from the present 2 percent per month to 1 percent per month and set the floor of reduction at 50 percent instead of 25 percent. The bill also contains an important provision to modify the rate of decline and maximum reduction for those who have retired.

Mr. Chairman, we have noted the compromise proposal offered by the administration which would provide a flat minimum of \$10,000 in insurance for all covered employees. This proposal, presented by the distinguished Chairman John W. Macy, Jr., U.S. Civil Service Commission, does represent a tremendous improvement in coverage provided for the vast number of employees. It would certainly be a decided improvement and is a welcome suggestion. This does not, however, change the position of this association in regard to the improvements, which are provided for in H.R. 464.

We reiterate our recommendation in regard to this legislation and do continue to support enactment of H.R. 464, with the amendments which we have outlined in this testimony.

Any compromise on this issue, in our opinion, should include the minimum amount of protection suggested by the administration but the other important improvements which would be provided for in H.R. 464 and in other bills pending before your committee should not be sacrificed for the purpose of providing the minimum amount of coverage suggested by Mr. Macy.

Mr. Chairman, may I express our appreciation for this opportunity to appear and testify on this very important bill. We trust this committee will see fit to report H.R. 464 or a similar bill favorably and that it may win approval by the Congress and soon become law.

Mr. DANIELS. Mr. Hilliard, your recommendation to this committee is rather a combining of my bill, H.R. 464, and the bill introduced by my colleague, Congressman Olsen, H.R. 3380?

Mr. HILLIARD. Yes sir.

Mr. DANIELS. You take the liberalization features of those bills and combine them? Can you tell this committee how much that package would cost?

Mr. HILLIARD. I do not have that information, Mr. Chairman, but I understand it would considerably increase the cost over the provisions of H.R. 464 or the proposal advanced by Chairman Macy. I do not know the exact cost.

Mr. DANIELS. Do you have any idea what it would cost if the method of decline after retirement, which presently is 2 percent per annum until you reach a base of 25 percent of the principal sum, is changed to 1 percent and 50 percent?

Mr. HILLIARD. I regret to say I do not have that information, sir.

Mr. DANIELS. Well, I sponsored a bill similar to the Olsen bill in the last session of Congress but abandoned it because of the tremendous cost involved. Do you know that?

Mr. EMEIGH. Yes, we do.

Mr. HILLIARD. Yes.

Mr. DANIELS. Any questions, Mr. Broyhill?

Mr. BROYHILL. No.

Mr. DANIELS. Any questions by the gentleman from Pennsylvania, Mr. Johnson?

Mr. JOHNSON. Yes, Mr. Chairman.

First, we are always interested in testimony from the different groups. You give us a different viewpoint on the legislation, based upon how it affects you.

Just as a matter of interest, how many members are there in your association?

Mr. HILLIARD. Approximately 42,000 members.

Mr. JOHNSON. 42,000?

Mr. HILLIARD. These are not all regular rural carriers. That figure includes substitute carriers and retired rural letter carriers.

Mr. JOHNSON. Now, not knowing what this session of Congress will do in respect to increasing life insurance or bettering annuity programs, let's say there is not money enough to do both. I realize you are here this morning in regard to this group life insurance program, but let's say you are asked to make a choice between bettering the

pension phase of your employees' activities or this life insurance. Which one would be No. 1 on your list?

Mr. HILLIARD. Well, certainly we would like to see the retirement system liberalized. We would also like to see the Federal group life insurance program liberalized.

Now, I would not be in a position to choose which one at this time until I could see a proposal to liberalize the retirement system and what it would involve or entail, and how our people would benefit, Mr. Johnson.

Mr. JOHNSON. What would you say the relative median age is of the members of your association? Are they younger people, older people, or what?

Mr. HILLIARD. I would say that the median age is above the average, sir, because of the fact that we have so many employees, clerks, city carriers, transferring into rural delivery.

Would you say 50 percent?

Mr. EMEIGH. Approximately 60 percent of the rural carrier vacancies in the Nation are filled by transfer of other career Government employees. Consequently, they come into the rural delivery service after completing frequently half or more than half of their service career.

That is the reason for our above-age average in our group and also the reason why we have the highest turnover in the craft of rural delivery of any craft in the Post Office Department.

Mr. JOHNSON. If you were to send a questionnaire to your membership, and if they were asked to make a choice, by reason of their advanced maturity they might say, "Well, we are more interested in increasing the benefits through the retirement system than we are particularly life insurance." Wouldn't that be possible?

Mr. EMEIGH. Actually, Mr. Johnson, the members of our organization are, as you are well aware, greatly interested in improvement of the benefits in both areas.

We realize that it is a judgment that has to be made by this committee and by the Congress.

In asking for the liberalization that we have, both in retirement and in the Federal group life insurance program, I do think it rather important to note that our membership has subscribed to the fact that they are willing to assume additional cost on an appropriate sharing of the costs in order to provide the liberalizations they seek.

So I am certainly cognizant of the problem of the committee and of the chairman, as he expressed it, in trying to put out the complete package at any one time. But we do believe that there should be liberalizations in both areas.

Mr. JOHNSON. Thank you very much.

Mr. DANIELS. I note, Mr. Hilliard, that you have endorsed the recommendation made by Civil Service Commissioner Macy at his last appearance before this committee on May 1.

Mr. HILLIARD. Yes, sir; we have.

Mr. DANIELS. What is your thought, sir, on the recommendation he made that would provide a minimum amount of insurance of \$10,000 to each Federal employee, and which would increase the amount of insurance to those in the upper pay bracket to \$30,000 a year; and my hopes for a 60-40 premium formula?

Mr. HILLIARD. Well, Mr. Chairman—

Mr. DANIELS. I understand, incidentally, that would cost \$48,700,000.

Mr. HILLIARD. As we said in our testimony, we think this is a commendable proposal. Certainly our people would benefit under this proposal.

However, we much prefer the provisions of H.R. 464, your bill, as opposed to the \$10,000, because, in effect, if we take the average man earning \$6,000 per annum, your bill would increase it to \$8,000. Subsequently, it could possibly reduce to \$2,000.

But the \$2,000 additional provided for in your bill which would not be subject to the reduction formula would ultimately leave an insurance estate of \$4,000.

But if we take the \$10,000 proposal by Chairman Macy and continue the same formula that we have at the present time, ultimately we could expect an insurance estate of only \$2,500.

Now, if we take the \$10,000 proposed by Mr. Macy and if in the judgment of this committee you can see fit to modify the reduction formula from its present 2 percent to 1 percent, then, of course, this would provide a floor of 50 rather than 25. This would give us a \$5,000 insurance estate ultimately if our people live long enough.

But, simply stated, we prefer the provisions of your bill as opposed to the \$10,000 minimum.

Mr. DANIELS. Well, I prefer it myself. But you know what fate it met in the last session of Congress. It was vetoed.

Mr. HILLIARD. Yes, sir. We realize that, sir.

Mr. DANIELS. The President and the entire administration has been urging all agencies of the Government to cut down on their budgets. So, the question going through my mind is, if we pass my bill again, what will happen to it—assuming it is passed in both bodies?

Mr. HILLIARD. I should think—and I think I speak the sentiments of our organization—

Mr. DANIELS. Would you recommend that we take the gamble of suffering another veto?

Mr. HILLIARD. I prefer to place this in the hands of this distinguished committee, and I know that you will do what you feel is in the best interests of all employees.

Mr. DANIELS. Thank you for your confidence.

Thank you very much, Mr. Hilliard, for appearing today and for giving us the benefit of your views.

Mr. HILLIARD. Thank you, Mr. Chairman.

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

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

Mr. JASPÁN. Mr. Chairman, and members of the subcommittee, my name is Daniel Jaspán. I am the legislative representative of the National Association of Postal Supervisors, composed of more than 31,500 postal supervisors, with members in all 50 States and in Guam, Puerto Rico, and the Virgin Islands, and also Washington, D.C. Our members are employed in post offices, branches, stations, motor vehicle facilities, maintenance units, air mail facilities, and mobile units.

We appreciate the early scheduling of hearings on this most important bill by the chairman of the subcommittee and are also deeply grateful to Congressman Daniels for introducing H.R. 464, a bill which would substantially improve the life insurance program.

Our members appreciate Congressman Daniel's guiding a similar bill through the House last year. We know that he was as disappointed as we when the President vetoed the bill, and it was difficult for us to understand the reason for the President's veto. The bill as passed by both the House and the Senate last year, and as introduced by the chairman this year, certainly will not contribute to an inflationary trend. On the contrary, the bill provides for increased employee contribution. Payments made to beneficiaries will be spread out over a number of years.

Most postal employees, and I am sure a majority of Federal employees, find it difficult, if not impossible, to build up any sizable estate.

This is in spite of what Mr. Macy said—that the program was supposed to be in addition to insurance coverage by employees.

We find out that very few postal employees can afford the cost of commercial insurance, and the older you get the more it costs.

I know just 10 years ago when I came here on this job I lost my insurance in the post office. And compared with the \$6.50 per thousand I was paying in the post office, it cost me about \$40 per thousand.

So when you compare these costs, you can see how important it is for us to have as much coverage as possible. And it isn't always a supplemental program. It is the only insurance program many of our members have.

MR. JOHNSON. Would the gentleman yield on this point? Do you have any figures as to any other additional or supplemental insurance that your employees might have in addition to what they have by reason of being a Government employee?

MR. JASPAN. In speaking with them, Mr. Johnson, I find that very few of them are able to carry any other insurance. They carry this as their only protection.

That is even true of those that initially get into some of the higher brackets.

MR. JOHNSON. But you have never sent out a questionnaire to find out?

MR. JASPAN. No. We have just discussed it at different conventions and in going throughout the country. And I find very few of them have it.

By the time they reach a little higher bracket where they might be able to afford coverage, they are too old to pay the premiums.

MR. JOHNSON. Thank you.

MR. JASPAN. So it is balanced out that way.

MR. DANIELS. Well, the main reason why they do not carry it or most of them do not carry it is because they can least afford it?

MR. JASPAN. That is right. That is what I tried to point out—that it costs so much for commercial insurance that they just cannot afford to carry insurance or have any other investments. And very few postal people have other investments.

One of the factors contributing to this is the fact that we are always behind industrial salaries for comparable positions and additional

money to purchase commercial insurance, or make any other investments, is generally not available. Our members must, therefore, depend almost entirely on Federal life insurance to provide for their families.

The cost of commercial life insurance for postal supervisors is even more prohibitive than for other employees since we, as a group, are in the upper-age brackets and rates are proportionately higher. H.R. 464 would provide substantially better coverage and at a cost within reach of Federal employees.

Section (a) (1) which increases the present coverage by an additional one-third is essential to provide reasonable security during our working days. We had hoped that the bill would contain the provision to slow the present reduction of 2 percent per month to 25 percent of the face value beginning at age 65 or retirement to 1 percent per month and 50 percent of face value. However, the additional nonreducible \$2,000 of insurance is an attractive substitute and we endorse this provision.

It may be of interest to this subcommittee that at least one company has made considerable progress along these lines. The American Can Co. not only provides insurance free to their employees at double the annual salary, but the reduction at age 65 is to 50 percent of face value. It is our hope that eventually the Government life insurance program will be liberalized at least to this extent.

We suggest that the subcommittee review the provisions of the "dismemberment" section of the Group Life Insurance Act which has not changed since its inception in 1954. We recommend that the plan be changed to provide for the payment of 5 percent of the face value of the policy for loss of each finger, toe, or thumb, but not to exceed 50 percent of the employee's salary. We also propose that an 80 percent loss of sight shall be considered as total permanent loss.

Although we are very appreciative of the liberalization provided in H.R. 464, it may be helpful at this time to refer to Bulletin No. 1502, issued by the Bureau of Labor Statistics. This bulletin is called Digest of 100 Selected Health and Insurance Plans Under Collective Bargaining, Early 1966.

In the analysis of the 100 plans selected, we find that the full cost of the life insurance is paid by the company in 69 out of 100 contracts.

Although H.R. 464 liberalizes the maximum life insurance considerably by increasing the present coverage by an additional third, some of the companies listed in the pamphlet had been providing life insurance approximately double the salary of the employees for at least 5 or 6 years. Among these companies are: Liggett & Myers Tobacco Co., General Foods, Philip Morris Tobacco Co., Continental Can Co., Texaco, Socony Mobil Oil Co., R.C.A., and Prudential Life Insurance Co.

Among those companies paying the full cost of life insurance after retirement are: American Sugar Refining Co., Armstrong Cork Co., Swift & Co., Armour & Co., Campbell Soup Co., the distillery industry, the clothing industry, Bethlehem Steel Co., and others. These companies too have been paying this cost for at least 5 or 6 years.

Mr. DANIELS. Mr. Jaspán, if I may interrupt at this point, and if I recall Commissioner Macy's testimony correctly, he acknowledged that some private industries do pay better life insurance benefits as you have pointed out here a moment ago.

But he also stressed the point that they lag behind in other fringe benefits such as their pensions.

Do you have any comment on that?

Mr. JASPAN. Yes, Mr. Chairman. They may.

Mr. DANIELS. I think he also mentioned leave time.

Mr. JASPAN. It is true that we are ahead of most industries when it comes to leave. But industry is rapidly catching up.

I notice that more and more union contracts provide for 4 weeks of annual leave. At one time most contracts were 1 week and 2 weeks. But the ones that were signed in 1966, a great number of them, provide for 4 weeks of annual leave.

As you know, the steel industry has gone even farther than that with the contract they made about 2 years ago when they increased their leave tremendously, much more than we have. They have practically a sabbatical leave year, which we don't have.

So some of the industries are way ahead of us even on annual leave.

On sick leave, some of them will pay indefinitely when a person is off. Of course, it depends on the position he held.

As far as the annuities, it is true that many companies have a relatively small annuity compared with our retirement system. But these annuities are in addition to social security. They figure the combination of their own annuity and social security will give a livable retirement amount.

So when you look at it on the overall picture, I am certain that you will find that the Federal employees are not that much ahead, if they are at all, right now.

Now, it was different when most of us came into the service. The Federal employees had much better leave benefits than outside industry. I believe it was a much larger cost of the payroll than in industry. But now the payroll costs for both Federal and industry are somewhere around 25 percent, and many industries have much more liberal benefits than the Federal service.

I know we are behind in health benefits. We are behind in life insurance. We must consider large companies, since the Post Office or the Federal Government is a large employer—most of the large companies do pay 100 percent of these benefits, which helps to make up some of the other fringe benefits where we may be ahead.

Mr. DANIELS. Thank you.

Mr. JASPAN. Inasmuch as the majority of the large companies pay 100 percent of the cost for health and life insurance benefits, we recommend that sections 4 and 5 of H.R. 464 be amended so that the cost is divided 50-50 between the Government and the employee. This would still not be comparable with industry, but would be a major step forward.

We appreciate the opportunity of appearing before this subcommittee to present the views of our association, and hope that early action will be taken by the subcommittee, the full committee, and the Congress, in order to bring our life insurance plan nearer comparability with private industry.

Mr. Chairman, when this was written Mr. Macy had not appeared yet, and I am sure you are going to ask about the \$10,000 floor that he proposed. We do not feel that that is a realistic proposal to just have the \$10,000 floor and leave everything else the way it is.

As Mr. Hilliard ably pointed out, one of the reasons would be the reduction from \$10,000 to \$2,500 at retirement or age 65.

Another item to take into consideration is the fact that it may be too costly for some of the lower-paid employees. It would be double the amount some of them are making. There are many employees still making \$5,000 or less. That would be double their insurance.

Mr. Macy mentioned, if I remember correctly, that that would cover about 2,100,000 employees out of about 2,400,000. So the bulk of the people would have that \$10,000 coverage.

We can't see why, instead of the coverage he suggested, your bill can't be used for the 11 $\frac{1}{3}$ coverage. I am sure that their figures may be correct, but I am sure that there would not be that much difference in cost between his proposal and your proposal.

And this is the reason I say that. It is very hard to get recent statistics, but I have the latest available pay structure of the Federal service as of June 30, 1965. I know there have been salary increases since then. But at that date, 20 percent of the Federal employees, of all Federal employees, were earning under \$5,000—24.4 percent were earning between \$5,000 and \$6,000.

This was a total of 44.6 percent of the Federal employees who were making under \$6,000.

Now, this 11 $\frac{1}{3}$ would be less costly to the Government for all these people because they would still be getting under \$10,000.

So you would have a total of almost 45 percent of the employees that your 11 $\frac{1}{3}$ coverage would be less costly for.

Between the \$6,000 and \$7,000 bracket, \$6,000 to \$6,999, there are 22.6 percent in all the Federal services but 45 percent in the postal field service.

Now, there again it would be so little to extend your 11 $\frac{1}{3}$, because this would be approximately 11 $\frac{1}{3}$ to these \$6,000 to \$7,000 employees. So it would cost so little to extend it all the way up that we think that your bill is the one that should be considered.

There are in the total Federal service—there was at that time—67 percent earning under \$7,000. So we feel that it would not be a lot of additional cost to pass your bill just the way it was written.

We are very strongly in favor of H.R. 464 without any changes at all, Mr. Chairman.

Mr. DANIELS. Thank you, Mr. Jaspán.

Mr. JOHNSON, any questions?

Mr. JOHNSON. For the record, how many members do you have in your postal supervisors' group that you represent here?

Mr. JASPÁN. Well, when I wrote this statement it was 31,500. Now we have about 32,000. We have been growing pretty fast.

Mr. JOHNSON. And in asking you the same question about the relative age of your members, I believe you have stated that they are of necessity persons older than the average because of the promotion factor? They already have to be older in order to be promoted into a supervisor's position?

Mr. JASPÁN. That is correct, Mr. JOHNSON. They have to start as clerks or carriers or some other craft employee. Then they increase the number of years of service until they become supervisors. So they build up possibly 10, 15, 20 years or more before they become supervisors. So, naturally, we would be an older age group.

Mr. JOHNSON. Thank you.

Mr. DANIELS. Just one further question, Mr. Jaspan. How many employees of your organization, or what percentage of them, would benefit under the \$10,000 floor of insurance proposed by Mr. Macy?

Mr. JASPAN. Oh, probably 50 percent. That would be a rough estimate.

Mr. DANIELS. And is it your opinion that that 50 percent could not very well afford to take \$10,000 worth of insurance?

Mr. JASPAN. No. I mean they would benefit if they were given the \$10,000, but they would benefit more by $1\frac{1}{3}$.

On the \$10,000, I thought you meant if it were a choice of the two. There would probably be half of them benefiting by the \$10,000. But, of course, our members would benefit by the $1\frac{1}{3}$, and they would be willing to pay for it.

Mr. DANIELS. Thank you.

Mr. JASPAN. Thank you very much, Mr. Chairman and Mr. Johnson.

Mr. DANIELS. Our next witness is Mr. Harold Finnegan, legislative representative of the National Federation of Federal Employees.

STATEMENT OF HAROLD FINNEGAN, LEGISLATIVE REPRESENTATIVE, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Mr. FINNEGAN. I extend the regrets of our president, Mr. Wolkomir, who is on the west coast and cannot be present today. In his absence I am prepared to give his testimony.

Mr. Chairman, I wish to express our deep appreciation for your interest in and keen understanding of the problems affecting Federal employees, with special reference to the significant problems which come before this subcommittee. We wish also to express our appreciation to the other distinguished members of this subcommittee for their continuing interest and concern.

The National Federation of Federal Employees was gratified to hear Chairman Macy of the U.S. Civil Service Commission in his testimony here on May 1, acknowledge that the Federal Employees' Group Life Insurance Act is deficient both in benefit levels and in financing. This is, indeed, a refreshing change from the heretofore adamant insistence that remedial action was unnecessary. We were further pleased to have him support \$10,000 as the minimum amount of life insurance as that was one of the amendments we proposed when we testified on the companion measure, S. 271, in February of this year.

We disagree with Chairman Macy, however, that placing a floor of \$10,000 and raising the ceiling from \$20,000 to \$30,000 meets the needs of the Federal employees with respect to the amount of protection needed. This proposal leaves the employees in grades GS-11 through GS-15 faced with an increase in cost but no increase in benefits, while the other employees get an increase in benefits as partial compensation for the increase in costs. We recommend that H.R. 464 be amended to provide a minimum coverage of \$10,000, in lieu of the coverage that would be provided by the $1\frac{1}{3}$ formula, and that the H.R. 464 formula apply to all other grades. In other words, we recommend a marriage of the \$10,000 minimum with the continuation of the $1\frac{1}{3}$ plus \$2,000 where the \$10,000 is the lesser.

The employee, of course, would pay for the insurance coverage in effect.

The National Federation of Federal Employees cannot agree with the cost-sharing ratio proposed either by H.R. 464 or by Chairman Macy. The 60-40 arrangement proposed by H.R. 464 is preferable to the "stand pat-ism" of Chairman Macy, but both fail to measure up to the private sector practices. Chairman Macy's argument of considering the cost of all fringe benefits as a justification for continuation of "stand pat-ism" on insurance cost-sharing loses its value when consideration is given to the fact the salaries of most Federal employees still are 5 to 20 percent less than salaries in the private sector.

If we are going to look at the "big picture," let us look at total compensation, not just the fringe benefits package. When that is done, I submit both the 60-40 and the 2-1 ratios are woefully inadequate. At the very minimum, the cost of the insurance should be on an equal-sharing basis and the National Federation of Federal Employees recommends H.R. 464 be so amended.

The National Federation of Federal Employees agrees the full cost of the insurance program should be met. Further, we have no doubt the cost of the program has and will continue to increase under the existing arrangement. But we raise the question whether the Government has taken a hard look to ascertain if self-insuring would not be less costly and therefore to the advantage of the public welfare. The Civil Service Commission's experience, supplemented with the extensive experience of the Veterans' Administration and the Social Security Administration, suggests the Government possesses adequate competence to administer such a program. For this reason, the National Federation of Federal Employees recommends that prior to removing the ceiling on rates, the Government be directed to provide firm data on the relative costs and merits of self-insurance as contrasted with the existing financing.

Another change which the National Federation of Federal Employees urges be included in H.R. 464 is the rate of depreciation of the value of the policy after the policyholder retires and reaches age 65. At present the policy declines in value at the rate of 2 percent per month after age 65, until only 25 percent of the face value of the policy remains. A long-service employee who is fortunate enough to enjoy a long retirement will have paid in more than 25-percent value of his policy. The \$2,000 nonreducing feature of H.R. 464 will improve this situation, but we believe it does not go far enough. We recommend that the depreciation be limited to 50 percent of the face value with the rate of depreciation reduced to 1 percent. The 50-percent factor should be applicable to all presently on retirement.

We are also concerned about the Federal employee who is required to travel in military or Government aircraft and as a result faces possible cancellation of benefits of privately held insurance policies.

In his testimony on May 1, Chairman Macy said the group life insurance program was not intended to replace the employee's private insurance program. But when the employee faces cancellation of his private insurance program, should he die while traveling as a passenger of a military or Government aircraft, then the group life insurance program should replace the private insurance program. This is of concern to more and more employees as agencies increasingly require employees to travel via military or Government aircraft.

We urge, therefore, employees traveling in military or Government planes receive suitable protection in the form of a Government-paid

policy in the amount of \$20,000 to protect employees in a flight status.

Gentlemen, it is not our intent to belabor the insurance program, but there have been no significant changes effected in the program since its inception in 1954. So when remedial legislation is proposed we must think in terms of the future as well as of the present. It is with this thought in mind that we urge thoughtful consideration of all of the amendments here proposed.

For 50 years our organization has pioneered in proposing legislation such as that contained in H.R. 464. We are convinced the record establishes the necessity for action and for action now.

On behalf of the National Federation of Federal Employees, I express to the chairman and members of this subcommittee, our thanks for the privilege of appearing here today.

Mr. DANIELS. How many people, sir, would be involved in the proposal that you make that the Government provide them with a policy of \$20,000 of insurance where they travel in military aircraft?

Mr. FINNEGAN. I would have no way of estimating that, sir.

Mr. DANIELS. You have no idea of what the liability involved would be?

Mr. FINNEGAN. No. I just know that a number of our locals have complained to us about being required to travel via military or Federal because of their life insurance policies.

Mr. DANIELS. Well, can you furnish this committee with any figures as to the number of people who have been affected by the cancellation of their insurance by virtue of the fact that they traveled by military or Government aircraft?

Do you know how many people would be involved in this category?

Mr. FINNEGAN. No, I do not. No, I have no idea as an intelligent figure.

Mr. DANIELS. Well, the committee, in order to seriously consider your proposal, would have to have some facts upon which we would be able to predicate our action to justify it.

Mr. FINNEGAN. I will try to get the best figures I can and get them for the record.

Mr. DANIELS. If you could obtain some information along that line, without objection of the committee I ask that you be permitted to submit a supplemental statement.

Mr. FINNEGAN. We will get the best hard data that we can on that point, sir.

Mr. DANIELS. Mr. Johnson, any questions?

Mr. JOHNSON. Yes. Oddly enough, his suggestion does strike a rather responsive chord in my mind about this aircraft travel, particularly when your own private insurance is suspended.

Now let's say the committee were to do something like this: Provide insurance protection while you travel in Government or private aircraft to the extent that you have supplemental insurance and, maybe, to the extent to which your supplemental insurance is suspended by reason of this type of travel.

Mr. FINNEGAN. This I think makes sense. I think in all fairness, however, there probably should be a ceiling beyond which the Government should not go, being reasonable on the matter.

Mr. JOHNSON. The reason I mention this is that Members of Congress often travel in Government aircraft by reason of our position,

too. I often wonder as I am traveling whether my own private life insurance is suspended, and I think perhaps it is in most cases.

May I ask this question. Does the committee know if the President, in his budget, has provided any funds in this \$135 billion budget for this proposal?

Mr. DANIELS. There is a sum of money set aside for improved life insurance benefits. In fact, a sum was set aside the last couple of budgets.

Mr. JOHNSON. I see.

Mr. DANIELS. A couple of years ago the House did pass a bill which provided for insurance of certain employees, including the Members of Congress, be increased to \$30,000 a year. I believe that package cost \$12 million, and that sum was provided for in the budget during the past 3 years to my knowledge.

Mr. JOHNSON. I have no further questions, Mr. Chairman.

Mr. DANIELS. Mr. Finnegan, I want to thank you for coming here today and giving the committee the benefit of your views.

Our next witness is Michael Cullen, president of the National Association of Special Delivery Messengers.

STATEMENT OF MICHAEL J. CULLEN, PRESIDENT, NATIONAL ASSOCIATION OF SPECIAL DELIVERY MESSENGERS

Mr. CULLEN. Mr. Chairman, and members of the subcommittee, for the record my name is Michael J. Cullen. I am president of the National Association of Special Delivery Messengers, AFL-CIO. We hold exclusive recognition rights with the Post Office Department for the special delivery messengers.

We deeply appreciate the opportunity to present our views on H.R. 464 and wish to extend our thanks to you, Mr. Daniels and the members of this committee for your interest in the needs of the postal and Federal employees in the field of more liberalized life insurance benefits.

We fully endorse the provisions of H.R. 464 which would increase basic coverage by one-third for the majority of employees; increase maximum coverage from \$20,000 to \$40,000; add \$2,000 in irreducible coverage; change the contribution ratio from a 2-to-1 to 3-to-2 formula.

We are happy to note that Civil Service Commission Chairman John W. Macy, Jr., changed the position he took during hearings on S. 271, the companion bill to the legislation under discussion today. However, we feel that, while providing minimum coverage of \$10,000 to all employees is a meritorious suggestion, the employees currently covered by \$10,000 to \$20,000 insurance would be discriminated against.

We earnestly recommend that consideration be given to extending the provision of the additional \$2,000 coverage to those retirees who are currently carrying Federal employees government life insurance. We understand that financing of this additional coverage would be a problem. If it is felt that the premium increase of 5 cents per \$1,000 which would be necessary to pay for this benefit, is prohibitive, we suggest that a compromise be sought. It is our opinion that many of these retirees faced with the specter of the high cost of dying would be willing to pay at least a part of the cost of this additional protection.

Mr. Chairman, again we wish to thank you for the opportunity to appear here today and we wish to express our appreciation to you and the members of this committee for your continuing interest in the problems of the postal and Federal employees.

Mr. DANIELS. Mr. Cullen, how many members are in your association of special delivery messengers?

Mr. CULLEN. About 2,500, sir.

Mr. DANIELS. In paragraph 4, you say those employees in the \$10,000 to \$20,000 insurance category would be discriminated against under the proposal made by Mr. Macy of providing a \$10,000 minimum policy.

Will you tell the committee in what manner the other employees would be discriminated against?

Mr. CULLEN. Well, as I understand it, they would be called upon to pay an increased premium, and they would not get any additional protection for it.

Mr. DANIELS. As I understand Mr. Macy's proposal, the cost per thousand dollars of insurance would be less than it would cost at the present time to fully finance the program.

Mr. CULLEN. Yes, I heard that testimony, and actually they would not be receiving similar benefits to the employees who currently are getting below \$10,000 or those who are getting above \$20,000.

In other words, there are three categories of employees—those who are getting protection up to \$10,000, those who are getting protection between \$10,000 and \$20,000, and those who are getting protection above \$20,000.

You are giving additional benefits to those in the first category, no additional benefits to those in the second category, and additional benefits to those in the third category.

Just for the record, I would like to state that none of the members of my association fall into this category, so I have no ax to grind on it. It is just a question of what I consider fairplay.

Mr. DANIELS. Well, the fact of the matter is that today the insurance program is not paying its own way. There is a deficiency of 8 cents on each thousand dollars of insurance.

Mr. CULLEN. We understand that.

Mr. DANIELS. Now, we do hope, by whatever legislation is enacted here, to put the program on a pay-as-you-go basis, regardless of the formula that is adopted.

Mr. CULLEN. We understand that, sir, and the members of my association would be willing to pay their fair share of any additional cost.

However, we do feel, as other witnesses have testified, that even with the 60-40 ratio that it would not put the Government on a competitive basis with employers in the private sector who pay 50 percent and in some instances the entire cost of life insurance coverage for their employees.

But, listening to the testimony of Mr. Macy, I know that any additional cost is going to be a factor in what final action will be taken on this bill.

Mr. DANIELS. Thank you, Mr. Cullen.

Mr. JOHNSON, any questions?

Mr. JOHNSON. I have no questions.

Mr. CULLEN. I would just like to say that if the committee takes seriously this suggestion of the \$10,000 minimum that Mr. Macy has suggested, I suggest that a change in the reduction formula from 2 percent to 1 percent be made and that the maximum reduction be to \$5,000 rather than under the present formula where it would be reduction after time to a floor of \$2,500.

Mr. DANIELS. At the present time it reduces to 25 percent of the principal sum of whatever the policy may be. So if an employee earns \$5,100 a year, he would be entitled to \$6,000 of insurance, and under existing law that insurance would reduce after retirement to \$1,500.

Mr. CULLEN. My suggestion is based on the assumption that the committee might take favorable action on the \$10,000 minimum proposed by Chairman Macy. If this is what the committee is going to do, we would suggest that consideration be given—

Mr. DANIELS. Mr. Cullen, I can tell you right now your assumption is erroneous and premature. The Chair has not made up his mind, and I don't know how the other members may feel on this subject.

Mr. CULLEN. I didn't intend to make that assumption. If the committee takes action on Chairman Macy's proposal—this is what I should have said.

Mr. DANIELS. Thank you for your recommendation.

Our next witness is John P. Carter, executive director of the National Association of Postmasters of the United States.

STATEMENT OF JOHN P. CARTER, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF POSTMASTERS, ACCOMPANIED BY LEMUEL W. HOUSTON, CHAIRMAN, NATIONAL COMMITTEE ON LEGISLATION

Mr. CARTER. Mr. Chairman and members of the subcommittee, my name is John P. Carter. I am executive director of the National Association of Postmasters of the United States. With me is Mr. Lemuel W. Houston, postmaster at Fredericksburg, Va., who serves as chairman of our national committee on legislation.

We are privileged to represent 32,000 postmasters, active and retired, among whom are approximately 90 percent of all active postmasters in the United States.

Our national president, James L. O'Toole, postmaster at Sharon, Pa., regrets his inability to appear before you today due to a prior commitment which necessitates his presence at a meeting of the board of trustees, Indiana State University. This statement is made in his behalf.

We welcome and appreciate the opportunity you have given us to be heard in support of H.R. 464, introduced by the distinguished chairman of this subcommittee, to provide additional group life insurance and accidental death and dismemberment insurance for Federal employees.

Delegates to the national conventions of this association have repeatedly adopted resolutions requesting:

- (1) An increase of 50 percent in group life insurance coverage.
- (2) \$2,000 additional life insurance which would not be reduced after retirement; or, revision of the Government Em-

ployees' Life Insurance Act to reduce insurance in force at the time of retirement by 1 percent per month to a minimum of 50 percent of the amount in force at retirement.

(3) Full payment of group life insurance costs by the Federal Government.

H.R. 464 does not fully meet the needs or the desires of our membership. It does, however, meet one of our foremost objectives by providing \$2,000 in additional, irreducible life insurance, and it approaches a second objective by increasing coverage to approximately 133 percent of basic salaries. Likewise, it is gratifying to note that it contemplates reduction of employee contributions to 60 percent. We applaud this as a step in the right direction, especially since many large private employers pay all or a substantial part of the cost of both life insurance and health benefits for their employees.

We wholeheartedly endorse the schedule contained in H.R. 464. It maintains the established principle that an employee's annual compensation is the only fair and equitable basis for determining the amount of group life insurance for which he is eligible. It is our hope that this principle will remain inviolate.

We respectfully submit, gentlemen, that the present schedule of life insurance benefits is totally inadequate. For more than a generation the cost of living and the cost of dying have risen sharply. Private industry has recognized this by affording its employees and their dependents increased economic protection through more liberal group life insurance programs. Meanwhile, our benefits have remained static. There has been no expansion in the basic structure of the Federal employees' group life insurance plan since its inception in 1954.

The salaries of Federal employees are consistently below those of their counterparts in industry, and this results in less income and less insurance for the Federal employee at all levels and grades. It deprives the Federal worker of the means of supplementing coverage through the purchase of commercial insurance. Commercial rates are prohibitive for the older employee. Clearly an upward revision of group insurance schedules for all Federal employees, as contemplated by H.R. 464, is overdue.

Life insurance in an amount approximating 1 year's salary is not sufficient to meet the requirements of the surviving family. Younger widows with growing families and those with children aspiring to a higher education require far more than the equivalent of 1 year's salary until regular income sources can be established. Older survivors face an even more precarious future. Usually they are of an age which precludes gainful employment and therefore prevents establishment of other regular income.

Many of us have been dismayed to find that the savings programs instituted within the past 13 years in an effort to give our children an education—programs which were considered to be reasonably ample at the time—are now barely sufficient to assure them of even 1 year of college.

The cost of raising a child to age 18 for an average, middle-class family is now estimated to be in excess of \$35,000, exclusive of college. Gentlemen, we reiterate that insurance in an amount approximating 1 year's salary is not enough to finance the minimum needs of the sur-

vivors of any Federal employee, whether it be a charman, a carrier, a postmaster, or a regional director.

Most major industries and many State governments have more realistic group life insurance programs than the Federal Government. The Commonwealth of Virginia, for example, has a graduated insurance scale based upon earnings as well as age. Employees up to age 50 are covered by approximately twice the amount of their annual salaries. The 60-year-old State employee has insurance coverage equivalent to $1\frac{1}{2}$ times his salary. A 58-year-old employee earning \$11,400 may carry \$20,000 life insurance for which he pays \$86.40 per year. A Federal employee must contribute \$130 for the same insurance.

The requirements of retirees are normally less than those of our employees and our members, but we maintain that they, too, deserve insurance protection that will assure them of a debt-free burial, payment of final obligations, and adequate protection for a survivor who is too old to obtain a job. For this reason, we urge retention of \$2,000 additional group life insurance and accidental death and dismemberment insurance in H.R. 464.

If it is deemed necessary to eliminate this highly desirable provision, we ask that the insurance reduction after retirement be scaled at the rate of 1 percent per month, rather than 2 percent, to a minimum of 50 percent of the insurance in force at the time of retirement, rather than 25 percent.

Enactment of the Federal Employees' Group Life Insurance Act of 1954 was hailed as a progressive step. It made available to Federal employees for the first time an auxiliary benefit comparable in many respects to one of the so-called fringe benefits accruing to those employed in private industry. This comparability no longer exists.

It is our conviction that all who toil faithfully in the Federal service, including Members of Congress and the executive branch, merit salaries and benefits that are fully comparable with those enjoyed by our counterparts in private enterprise. We believe that H.R. 464 will bring the Federal Employees' Group Life Insurance Act of 1954 more in accord with the economic requirements of 1967; that it will readjust insurance schedules to reflect today's costs. We are certain that its enactment will bring a greater degree of security and peace of mind to Federal employees.

The vast majority of Federal workers, including postmasters, are people of modest means. Most of us enjoy our work, and we take pride in it, but certainly we have no expectation of growing wealthy in the Federal service. We do ask assurance that the economic welfare of our loved ones be safeguarded.

It is our hope, gentlemen, that it will be your decision to favorably report H.R. 464 in its present form.

Mr. Chairman and members of the subcommittee, on behalf of the officers and members of the National Association of Postmasters, our sincere thanks for this opportunity to appear before you.

Mr. DANIELS. Thank you, Mr. Carter, for appearing here today to give this committee the benefit of the views of your organization.

I am very much interested in the comment which appears on page 3 of your statement—that in Virginia an employee earning \$11,400 may carry \$20,000 worth of life insurance for which he pays a premium of \$86.40 per year.

Do you know if the State of Virginia contributes anything in addition to that sum for the premium?

Mr. HOUSTON. What is the question again, Congressman?

Mr. DANIELS. Does the State of Virginia make any contribution toward the total premium? Or is this the total premium?

Mr. HOUSTON. Yes, sir; they do.

Mr. DANIELS. Do you know what that sum is? Of course, if the cost is \$86.40, it strikes me as an unreasonably small sum of money for a \$20,000 insurance policy.

Mr. HOUSTON. The surprising thing, sir, is that initially the State of Virginia had a program almost identical with the Federal Government's, in that the employee earning \$5,200 could carry \$6,000 insurance. In the State of Virginia they pay on a monthly or bimonthly basis. But figuring their payment on 26 pay periods such as the Federal Government, the initial cost to the employee was 27.6 cents per thousand compared with our 25 cents per thousand.

Here 2 years ago Virginia increased coverage to the extent that we indicate in our report without asking or requiring the employee to pay 1 cent additional. For everyone 50 years of age or under they double the insurance without exacting 1 cent more in payment from the employees and then graduated it by age from 50 to 65.

So that as we indicate in the report the employee at age 60 would have $1\frac{1}{2}$ times his salary coverage but without any increase to the employee.

Mr. DANIELS. Postmaster Houston, you have missed the point of my question.

Mr. HOUSTON. I'm sorry.

Mr. DANIELS. Even though the employee is not paying any more than he formerly paid, how much is that policy costing the State of Virginia? What is Virginia contributing toward the premium?

Mr. HOUSTON. What does it cost him?

Mr. DANIELS. No, what does the State of Virginia contribute?

Mr. HOUSTON. Oh, I do not have those figures, sir. I only have the figures of what the employee is contributing.

Mr. CARTER. Mr. Chairman, if we may, we will try to get that information and insert it in the record.

Mr. DANIELS. Yes.

(The information referred to is as follows:)

The Commonwealth of Virginia contributes 24 cents per month per \$1,000 of insurance or approximately 40 percent of the cost.

Mr. DANIELS. Mr. Carter, what is the attitude or opinion of your association with respect to the proposal made by Commissioner Macy to provide all Federal employees with a minimum of \$10,000 of insurance?

Mr. CARTER. Mr. Chairman, we have approximately 8,000 members of our organization who are postmasters of the fourth-class office whose salary ranges from \$1,398 per year to \$4,019 per year in step 1. This would mean approximately from two to five times their yearly salary in insurance protection. We feel that the additional cost may prove too great to those members of ours.

As to the other members, the \$10,000 ceiling would not be an asset to them because the $1\frac{1}{3}$ formula would give them additional protection.

Mr. DANIELS. I take it from your response that you feel those fourth-class postmasters who earn a very low annual income would not be able to afford the cost of the insurance increased to \$10,000?

Mr. CARTER. There is a good possibility; yes, sir.

Mr. DANIELS. That their financial means would not permit them to subscribe to it even though they may want it?

Mr. CARTER. Yes, sir.

Mr. DANIELS. Thank you.

Our next witness is Mr. Chester W. Parrish, secretary-treasurer of the National Federation of Post Office Motor Vehicle Employees.

**STATEMENT OF CHESTER W. PARRISH, SECRETARY-TREASURER,
NATIONAL FEDERATION OF POST OFFICE MOTOR VEHICLE EM-
PLOYEES, AFL-CIO**

Mr. PARRISH. Thank you, Mr. Chairman.

Mr. Chairman, members of the subcommittee, my name is Chester W. Parrish and I am secretary-treasurer of the National Federation of Post Office Motor Vehicle Employees, AFL-CIO. Our national headquarters is located 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 also have local formal recognition for supervisors within the motor vehicle service.

We want to thank the chairman of this subcommittee for introducing H.R. 464 and for holding hearings on this important legislation and also the members of this subcommittee for their interest in amending the Federal Employees' Group Life Insurance Act. Life insurance is most important to Federal employees and, with the enactment of H.R. 464, will provide protection to their survivors and dependents when it is most needed.

The Bureau of Labor Statistics in a survey 2 years ago indicated that 60 percent of private industry with contributory plans paid more than half of the premium. We therefore recommend that the Government contribution for life insurance be increased to one-half of the cost of such premiums.

It is our experience that the present life insurance meets the needs of our active members. However, the amount of insurance after the age 65 is reduced 2 percent per month after retirement, or after the age 65, whichever is later, until it is reduced to 25 percent of the amount in effect at the time of retirement. Therefore, we recommend that the reduction after the retirement or age 65, whichever is later, be 1 percent per month with reduction of the amount of insurance to a minimum of 50 percent, and also an additional \$2,000 in life insurance which would not be subject to reduction with the Government paying the entire premium.

We realize that H.R. 464 provides additional life insurance benefits for those Federal employees who retire in the future, but we would recommend that those Federal employees who have retired and whose life insurance has not reached the minimum of the 25 percent reduction in their policy, be permitted to have such reductions stopped, but reduced no lower than the 50 percent provided for in H.R. 3380,

and that they be given the \$2,000 additional life insurance, which would not be subject to reduction, as also provided in H.R. 464.

Mr. Macy, Chairman of the Civil Service Commission, on May 1, 1967 recommended that "H.R. 464 establish a flat \$10,000 for all covered employees." We can agree with this recommendation provided that this is not mandatory on the employee and that he could also select the $1\frac{1}{3}$ amount of his salary as provided for in H.R. 464 and the added \$2,000 nonreducing unit to all employees.

We were sorry that the President saw fit to veto similar legislation that was passed by both Houses of Congress during the 89th Congress, and we sincerely hope that such action will not be taken again on this most important legislation if passed again during this session of the 90th Congress.

It is our sincere hope that this committee will take favorable action on H.R. 464 which will amend the Federal Employees' Group Life Insurance Act by providing equal sharing of the premium by both the employee and the Government and providing the life insurance will not reduce less than 50 percent after age 65 or after retirement, whichever comes later, and the additional \$2,000 that would not reduce after retirement.

Mr. Chairman and members of the committee, we appreciate the opportunity to appear before this committee today.

Mr. DANIELS. We are glad to have you here, Mr. Parrish.

You have thrown out an idea here which I do not believe was advanced by any other witness. That is, you accept the recommendation of Mr. Macy to establish a minimum of \$10,000 of insurance for all employees, provided it was made optional and not mandatory; and provided further, that such employee could select $1\frac{1}{3}$ the amount of his salary for insurance as provided in H.R. 464 and also \$2,000 non-reducible base.

Mr. PARRISH. Yes, sir.

Mr. DANIELS. Do you believe those salaried employees could afford that?

Mr. PARRISH. Well, we feel that the \$10,000, if it was made mandatory on all employees, may hurt some of the low-salaried employees in, say, levels 1 and 2.

We have none in our particular craft. The lowest we have in the motor vehicle service is level 3. But even some of those in step 1 may be hurt financially to pay the additional cost of \$10,000 insurance.

This is the reason we recommend that it be left optional to the employee and not be made mandatory if it was considered by the committee.

Mr. DANIELS. The basic objection that the witnesses have made against the mandatory \$10,000 insurance is that these low-salary groups are the ones who, perhaps, cannot afford it—cannot afford the additional premium.

Mr. PARRISH. Yes, sir.

Mr. DANIELS. But you are making the suggestion here that they have the option of one and one-third times their salary plus the \$2,000 non-reducible coverage?

Mr. PARRISH. Right.

Mr. DANIELS. What is your position with respect to putting the premium on the pay-as-you-go basis, to pay the full cost?

Mr. PARRISH. The pay-as-you-go basis?

Mr. DANIELS. The full cost of the premium—to place the insurance program on a sound financial basis.

Mr. PARRISH. I don't believe I understand the question, Mr. Chairman.

Mr. DANIELS. Well, today the amount of insurance premium being paid is about 8 cents short of what it should be to cover the cost. Does your organization feel that we should continue along this line, or should we have the Government and the employees paying the full premium to meet all expenses?

Mr. PARRISH. Well, certainly we want the insurance fund to be sound, and we are willing to pay our fair share if the Government does. And this is the way we feel it should operate.

Mr. DANIELS. Regardless of what formula we have?

Mr. PARRISH. Yes.

Mr. DANIELS. Thank you, sir.

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

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

Mr. MESSER. Thank you, Mr. Chairman, 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 representative with the Post Office Department for the 17,000 postal field service maintenance employees, under the terms of our national agreement with the Post Office Department.

This association also has formal recognition with General Services Administration for the maintenance employees in the Public Buildings Service of General Services Administration.

We have locals in the 50 States, Puerto Rico, the Virgin Islands, and the District of Columbia.

We wish to take this opportunity to thank you, Mr. Chairman, for the introduction of H.R. 464, and the members of the committee for your interest in liberalizing the Federal Employees Group Life Insurance Act to provide more protection for Federal employees and their families, and for your interest in strengthening the financial condition of the group life insurance program.

The Federal Employees' Group Life Insurance Act of 1954 provided basic coverage to the next \$1,000 of Federal employees basic salary at a cost not to exceed 25 cents per pay period per \$1,000 of insurance for the employees, with the Government contributing one-half of this amount, or 12½ cents per pay period per \$1,000 of insurance.

The cost of living has increased steadily since the enactment of the program in 1954. Not only has the cost of living increased, but the cost of education has also advanced. In order to provide family protection and probably provide additional education for children of

deceased employees, it is highly desirable that the amount of life insurance under the Federal employees' group life insurance be increased.

It is our belief that the Government should set an example for private industry and pay the entire cost of the life insurance program. It is time for our Government to become a leader in the field of fringe benefits, and not a follower, as it has been for many years. However, we realized that most legislation is a matter of compromise, and we believe that in this respect, the Government's portion of the premium should be increased from one-third to one-half, as a step in the right direction.

I would like to point out that in testimony before the House Post Office and Civil Service Committee on June 10, 1965 on a similar legislative proposal, Mr. Ewan Clague, then Commissioner, Bureau of Labor Statistics, U.S. Department of Labor, testified that in a survey conducted by the Bureau of Labor Statistics:

One-fourth of the companies reporting data paid all of the cost of health, accident and life insurance premiums for their employees. Three-fourths of those with contributory plans paid more than one-half the cost. The Federal Government's contribution is less than one-half.

We cannot agree with Chairman Macy in his recommendation that the premium ratio remain as is with the employee paying two-thirds and the Government only one-third. We are firmly convinced that the Government should share the premium on a 50-50 basis, as so many firms in private industry do at present.

Mr. Chairman, this association wholeheartedly endorses the provisions of H.R. 464, providing major changes in the life insurance program:

- (1) To require the Government and employee to share the full cost of the insurance program to provide a sound financing of the insurance program.

- (2) To change the cost-sharing ratio by increasing the Government's contribution from—

We have a mistake here. We think this should be 50 percent and the employee 50 percent instead of one-third and two-thirds as is in the bill.

- (3) To increase an employee's insurance from an amount approximating 1 year's salary to $1\frac{1}{3}$ times his salary, to a maximum of \$40,000, instead of \$20,000; and

- (4) To add another \$2,000 of insurance which would not reduce in value after retirement.

Mr. Chairman, this association strongly endorses the provisions of H.R. 3380, introduced by Congressman Olsen, which would reduce the amount of depreciation of the life insurance from 2 percent per month to 1 percent per month, with the depletion stopping at 50 percent of the face value, instead of the present 25 percent. In our opinion, this is a revision or liberalization which is long overdue.

It is our belief that the provisions of H.R. 3380 should apply to present retirees, as well as those retiring in the future. The passage of H.R. 3380 would alleviate financial worries of many retirees.

Chairman Macy has recommended a flat \$10,000 minimum life insurance for all covered employees, in lieu of insurance in the amount of $1\frac{1}{3}$ times the annual salary, plus the \$2,000 nonreducing insurance.

We have no objection to a minimum of \$10,000 life insurance. In fact, we favor it and commend Chairman Macy for making the proposal.

However, we cannot agree with his proposal to eliminate the additional insurance for employees with insurance between \$10,000 and \$20,000 who would receive no additional coverage by increasing the maximum coverage from \$20,000 to \$30,000, as recommended by the administration, or the \$40,000 maximum as contained in H.R. 464.

This association cannot agree to an increase in premium for this group of employees with no added benefits to offset the increased premium rates they would be required to pay. If the committee, in its deliberations, decides to include the \$10,000 minimum coverage, it is hoped that the $1\frac{1}{3}$ times annual salary will be applied to employees presently having \$10,000 insurance, up to the maximum established in H.R. 464, or as recommended by the administration.

It is our sincere hope that this committee will take favorable action on H.R. 464, amended to provide equal sharing of the premium structure, and provisions to slow down the depreciation of the life insurance after age 65, or retirement, whichever comes later, and the depletion of basic insurance to stop at 50 percent for present and future retirees.

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

Mr. DANIELS. The Chair would like to ask you just one question, Mr. Messer.

Mr. MESSER. Yes, sir.

Mr. DANIELS. On page 2 of your statement you make reference to the fact that in private industry many employers pay half, if not all, of the costs of life insurance and health benefits. Do you have any opinion as to how the overall total fringe benefit programs of private industry compare with those of the Federal Government?

Mr. MESSER. I have nothing myself, but I believe Mr. Macy said the other day that we were running about 2 or 3 percent behind private industry at this time.

Mr. DANIELS. I think that answers the question.

Well, the Chair has nothing further to ask, because your testimony is cumulative to that of the other witnesses who have testified here today. Your views coincide with the views expressed by some of the other witnesses.

I do, however, wish to thank you for your appearance.

Mr. MESSER. Thank you very much.

Mr. DANIELS. Mr. Don B. Goodloe, legislative representative of the American Federation of Teachers, is our next witness.

**STATEMENT OF DON B. GOODLOE, LEGISLATIVE REPRESENTATIVE,
TEACHERS' UNION NO. 6, AMERICAN FEDERATION OF TEACHERS,
AFL-CIO**

Mr. GOODLOE. Mr. Chairman, my testimony will be brief, and it will not take long to make the one point that I wish to make.

We endorse this bill 100 percent. We are in favor of all its provisions. We endorse this just as we testified for the identical bill, S. 271, in the Senate before Senator Brewster's subcommittee.

Here we also propose an amendment which would mean that those who are already retired could benefit from it.

The trouble with legislations like this is that, although it affects those who are about to retire, very seldom are the benefits paid retroactively. That has been true of retirement legislation since 1952, and it is true of health and life insurance legislation.

So what we propose is that annuitants—that is, those who are already retired—would be able to benefit from the \$2,000 irreducible insurance.

If the question is asked how would it be paid for, the annuitants would be allowed to contribute, would be allowed to pay on the same basis that they paid for their former insurance.

Not only do we propose that those who came under life insurance and are under the Life Insurance Act of 1954 be allowed to do so, but that those who retired before 1954 and are not under the act be allowed to contribute.

Those are the amendments which we propose to this beneficial legislation.

Before I stop, we state our affiliation here with the American Federation of Teachers of over 100,000 members, the Metropolitan Central Labor Council of over 100,000 members, and the National AFL-CIO.

Incidentally, since April 26, we have become the exclusive bargaining agent of 6,727 classroom teachers in the public schools in the District of Columbia.

Mr. DANIELS. How many members do you have in your organization?

Mr. GOODLOE. In all categories, the latest figures, Mr. Daniels, are 3,525.

Mr. DANIELS. I want to be sure that I understand you, Mr. Goodloe. Those retirees who retired prior to August 1954 have no insurance whatsoever?

Mr. GOODLOE. Correct.

Mr. DANIELS. And you recommend that those retirees be permitted to subscribe to the \$2,000 minimum base?

Mr. GOODLOE. That is right. Only to subscribe to the \$2,000 irreducible insurance.

Mr. DANIELS. The nonreducible?

Mr. GOODLOE. Yes. On the same basis that the others do. In other words, they would pay the same share and the Government would pay the same share as would be the case of the retiree who is already under it.

Mr. DANIELS. And you would also extend that privilege or option to those who have retired since 1954?

Mr. GOODLOE. That is it.

Mr. DANIELS. So that in substance is your recommendation here today?

Mr. GOODLOE. That is it.

Mr. DANIELS. Thank you, sir.

Mr. GOODLOE. Thank you. I certainly appreciate the opportunity to give this testimony.

Mr. DANIEL. We are happy to have you here.

(Mr. Goodloe's prepared statement is as follows:)

PREPARED STATEMENT OF DON B. GOODLOE, LEGISLATIVE REPRESENTATIVE OF
TEACHERS' UNION NO. 6, AMERICAN FEDERATION OF TEACHERS, AFL-CIO

Mr. Chairman and members of Subcommittee on Retirement, Insurance and Health Benefits, I am Don B. Goodloe, legislative representative of the Washington Teachers' Union. Our organization is made up mainly of classroom teachers in the public schools of the District of Columbia; and our members are included under the provisions of the Federal Employees' Life Insurance Act of 1954. We are, moreover, part of the American Federation of Teachers, which has more than 100,000 members. Our union is likewise affiliated with the Central Labor Council of the Washington Metropolitan Area and with the National AFL-CIO. We support H.R. 464 with amendments to the benefits proposed.

Since the Group Life Insurance Act of 1954 was passed, inflation has steadily reduced the value of the policies made available under that law. For instance, if a teacher retired with a policy worth \$6,000 (which is now only \$1,500, under the formula for gradual diminution of value), he has suffered a major loss. The \$1,500 will not buy a great deal more than a \$1,000 would have purchased in August 1954. This is not much for a retiree to leave his heirs. Indeed, it may not cover one's own burial expenses. The Teachers' Union, therefore thinks that something should be done to repair the steady damage done to the retired employees of the District of Columbia and Federal Governments by this constant financial attrition. We propose an amendment H.R. 464, which will be explained in the following paragraph.

The \$2,000 of irreducible insurance, which would be made available to those who retire after the effective date of this proposed legislation should be likewise offered to the ones already retired. This amendment would not be open to the objections frequently made to retroactive legislation. No recomputation would be necessary. The amount is \$2,000 as stated in the bill; and that would make no difficulty.

It may be asked how the cost would be paid. The answer is that the teachers already retired would be willing to pay for this additional and irreducible insurance on the same basis as the active employees after the enactment of this bill into law. In other words, they could consent to the deduction of the necessary amount from their checks, as they now do for insurance already in force. Something would thus be done to safeguard our Federal and District annuitants against the constant erosion of their incomes by creeping inflation.

At the beginning of the statement, we stated our affiliation with area and national labor organizations. The American Federation of Teachers is particularly interested in this type of legislation. Our national legislative representative, Mr. Carl Megel, has done a great deal to support bills in behalf of teachers on a local, national, and international scale. He has, moreover, appeared before congressional committees in behalf of legislation of wider interest and scope. I refer to civil rights bills and the labeling and packaging law passed at the end of the 89th Congress.

There is another amendment we propose to this bill, which would help a number of individuals already retired. The Teachers' Union thinks that retirees who went out before the effective date of the Life Insurance Act of 1954 should be permitted to share in the benefits made available by our proposed amendment, if they wish to do so. In other words, even if an annuitant does not at present have a life insurance policy under the Federal Government, we see no reason why he could not participate in the payment for \$2,000 of irreducible insurance.

Before we conclude our presentation, it may be appropriate to emphasize the fact that new retirement legislation during the last 15 years has not generally been made retroactive. In most instances, those leaving active service after the effective date of improved conditions get the benefits. On the other hand, the men and women already retired do not. The reason generally given for this is that inclusion of all retirees would cost too much. However much merit there may be in this argument, it does apply to our proposition. Those who retired before 1954 would be allowed to pay for their insurance just like those retiring in the future and those who left the service in the intervening time.

Mr. DANIELS. Our final witness is Mr. Clarence M. Tarr, president of the National Association of Retired Civil Employees.

STATEMENT OF CLARENCE M. TARR, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES, ACCOMPANIED BY LUTHER L. MILLER, SECOND VICE PRESIDENT, AND JOHN A. OVERHOLT, GENERAL COUNSEL

Mr. TARR. Mr. Haughey is absent. I have with me Mr. Overholt, general counsel, and Mr. Miller, second vice president. Mr. Haughey is out of the city.

Thank you for this opportunity to appear today and to present our information about the proposed liberalization of group life insurance benefits for Federal employees and retirees. We are in favor of H.R. 464, with an amendment to extend to former employees who have retired a portion of the increased benefits proposed for present employees and which they will be able to carry into retirement in the future.

Briefly summarizing, H.R. 464 would increase the insurance coverage for employees by $33\frac{1}{3}$ percent plus an extra \$2,000. The 133 percent of present insurance would reduce after retirement at 2 percent per month until only one-fourth of the original total remained, but the \$2,000 would continue unreduced. We urge that former employees who have retired be given the additional \$2,000 in unreducible insurance.

We heard the proposal of Mr. John W. Macy, Jr., Chairman of the Civil Service Commission, for an alternative plan of liberalizing group life insurance benefits. Mr. Macy recommends no significant change in group life insurance benefits for those employees whose annual compensation is \$10,000 or higher, but for those whose annual compensation is less than \$10,000 he proposes a minimum of \$10,000 in group life insurance. This would be of some benefit to lower salaried employees who would be able to keep at least \$2,500 of life insurance even after retirement.

We believe that Mr. Macy's suggestion should be incorporated in H.R. 464 as an additional benefit, and not in lieu of the present provisions of the bill. This would assure every present employee, regardless of his present compensation, a minimum total of life insurance in the amount of \$4,500, where some of them would otherwise have only a third of this amount or less.

As a matter of equity and justice, the proposed floor of \$10,000 in group life insurance for employees, with a corresponding floor of \$2,500 after retirement, should be extended to retirees as well. Humanitarian benefits dispensed to those whose principal need is in the future should not be denied to those who are now in need.

We have pointed out many times that the administration and the Congress are in agreement that any increase in social security benefits should apply to those previously retired as well as to those who retire in the future, while at the same time we find strong opposition to any proposal to include present retirees and survivors as beneficiaries of liberalizations in civil service retirement laws.

Whether the Congress adheres to the provisions of H.R. 464, or adopts the administration proposals advanced by Mr. Macy, we urge that present retirees be included.

Thank you, Mr. Chairman, and the committee, for being allowed to have this opportunity to present this testimony.

Mr. DANIELS. It is always a refreshing pleasure to have you testify, Mr. Tarr.

Mr. TARR. Thank you.

Mr. DANIELS. Mr. Tarr, how many retirees are on the Federal retirement rolls today?

Mr. TARR. There are around 750,000 retirees and survivors.

About 450,000 I presume retirees. But the total makes about 750,000, the two of them.

Mr. DANIELS. The 450,000 are retirees, and there are approximately 300,000 survivors?

Mr. TARR. I am not sure. Do you think that is about right Mr. Overholt?

Mr. OVERHOLT. Yes.

Mr. DANIELS. What, if anything, do they pay for their life insurance benefits in retirement?

Mr. TARR. They do not pay on it after retirement.

Mr. DANIELS. Now, you have proposed that if H.R. 464, the bill that I introduced, is enacted, or if the proposal made by Commissioner Macy of \$10,000 minimum insurance is provided, either one of those things or both—if both should be adopted—be extended to retirees?

Mr. TARR. Yes.

Mr. DANIELS. Is it your thought that those retirees should receive that without any cost or obligation to them?

Mr. TARR. I will let Mr. Overholt answer that.

Mr. OVERHOLT. I am sorry. What is the question?

Mr. DANIELS. In other words, should they receive this additional benefit free?

Mr. OVERHOLT. We believe with respect to the additional benefits that the present retirees should be treated the same as those employees who will be retired in the future, and they will get it free, so we are asking for that free.

However, we realize that this is a problem, and with respect to the additional \$2,000 we think our members would be willing to have that on an optional basis to share in the cost the same as employees.

With regard to the basic \$2,500, we do not believe that there would be an adequate way of paying for that. It would be a rather complicated administrative problem. We think that that could be handled administratively without extra cost to our retirees.

Mr. DANIELS. Have you formulated any opinion as to the cost of such a proposal as you are advancing here today?

Mr. OVERHOLT. No, we have not. We have had estimates of cost. One estimate was that the additional \$2,000 would cost \$800 million. Now, that would be approximately correct as to the ultimate cost. But as to the initial actuarial cost of that amount of money to be paid later, we do not know. We do not have any actuarial figures. It would be substantial.

As to the minimum of \$2,500, that cost, of course, would be far less.

Mr. DANIELS. Well, the Chair has no further questions, unless you gentlemen want to add anything further to the testimony you have already given.

Mr. TARR. I believe not, Mr. Chairman.

Mr. DANIELS. Another thought comes to my mind. The previous witness, Mr. Goodloe, made a recommendation to the committee when

he testified that the pre-1954 retirees who presently have no insurance coverage be given these benefits. What is your thought on that proposal?

Mr. OVERHOLT. We have given it a very great deal of thought. The problem with those is that that includes a great many who were retired very many years ago, and in general those pre-1954 retirees have annuities much lower than the standards of those that have retired since.

The matter of making it optional for them to buy insurance sounds attractive, but I don't know how practical that would be.

Mr. DANIELS. How many persons are in that category?

Mr. OVERHOLT. There would be about 50,000.

Mr. DANIELS. You were saying that you do not think that is a practical suggestion? Is that right?

Mr. OVERHOLT. I do not. We are proposing in lieu of that a burial allowance of \$500 for retirees who retired before the effective date of the Life Insurance Act. However, that is in another bill. We are not advocating that in this bill.

Mr. DANIELS. Is that last proposal of yours, providing \$500 burial allowance, incorporated in any bill pending before the House?

Mr. OVERHOLT. Yes, H.R. 3378.

Mr. DANIELS. Congressman Olsen's bill contains it?

Mr. OVERHOLT. Right.

Mr. DANIELS. Thank you very much, gentlemen.

Without objection, there will be incorporated into the record at this time the statement of Alan J. Whitney, vice president, National Association of Government Employees.

(The statement of Mr. Whitney is as follows:)

STATEMENT OF ALAN WHITNEY, EXECUTIVE VICE PRESIDENT, NATIONAL
ASSOCIATION OF GOVERNMENT EMPLOYEES

Mr. Chairman and members of the subcommittee, I would like to thank you for providing this opportunity to express the views of my association on H.R. 464, which is designed to amend the Federal employees' group life insurance law.

The position of the National Association of Government Employees is that this bill, if enacted, would bring the Federal Government, as an employer, into much closer parity with general practice in the private sector of the economy.

We consider H.R. 464 a well-thought-out and carefully researched piece of proposed legislation. General acceptance of the bill's provisions, and the need for the liberalizations it proposes, is testified to by the degree of support an identical legislative proposal received in the last session of Congress.

I will address myself briefly to the position of Civil Service Commission Chairman, John W. Macy, Jr., in testimony before this subcommittee on May 1, 1967.

We find a curious contradiction in Mr. Macy's statement that he finds nothing wrong in principle with this or with other legislation designed to provide more low-cost group life insurance for Federal employees. The Chairman went on to say that he believes "the price tag is too high" and that "there is simply not enough room in the tightly planned budget for all of the \$91 million that H.R. 464 would add to Government costs."

The situation which we and others concerned with the welfare of Federal employees envision as a result of that last remark has all the characteristics of a dangerous precedent. If all the administration has to do to defeat sound, progressive personnel legislation on the basis of economy is to provide no leeway in the budget for such legislation, we can see the possibility of evolvment to a point where the executive branch would be in a position to thwart any congressional interest in approving employees' benefits.

Mr. Chairman, the National Association of Government Employees endorses H.R. 464, but we would like to recommend for the subcommittee's consideration what we feel to be critically important improvements to the bill.

H.R. 464, as written, would provide for covering the entire cost of the insurance program, eventually eliminating the program's current deficit. We fully concur with this recommendation.

It also would alter the cost-sharing ratio of the program by raising the Government's contribution from 33 $\frac{1}{3}$ percent and reducing the worker's share from 66 $\frac{2}{3}$ to 60 percent. We believe, Mr. Chairman, that simple fairness and private sector precedence dictate that the ratio be changed to provide that the Government and the employee share the premium cost on a 50-50 basis. Eventually, of course, we would hope that the Government would assume this entire cost of premium, but we feel a 50-50 ratio would represent a solid step in the right direction.

The bill would increase an employee's insurance from an amount about equal to 1 year's salary to 1 $\frac{1}{2}$ times his salary, to a maximum of \$40,000 instead of the present \$20,000. We fully support this provision.

It also would add an additional \$2,000 of insurance which would not be reduced in value after retirement. In this regard we would agree with Chairman Macy's proposal to set a minimum of \$10,000 insurance coverage. We cannot, however, concede to the chairman's proposal that the additional insurance proposed by this bill for those employees making between \$10,000 and \$20,000 be eliminated.

May I again thank you, Mr. Chairman, for sponsoring this legislation and for giving us this opportunity to comment on it. We hope our comments will assist you and your colleagues in your consideration of its provisions.

Mr. DANIELS. Gentlemen, that concludes today's hearings. Any further hearings on this subject will be held upon call of the Chair.

(Whereupon, at 11:53 a.m., the subcommittee adjourned, subject to the call of the Chair.)

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