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LIBERALIZE ELIGIBILITY FOR COST-OF-LIVING
INCREASES IN RETIREMENT ANNUITIES

GOVERNMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON RETIREMENT, INSURANCE,
AND HEALTH BENEFITS

OF THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 7027

A BILL TO LIBERALIZE ELIGIBILITY FOR COST-OF-LIVING
INCREASES IN CIVIL SERVICE RETIREMENT ANNUITIES

MAY 3, 1971

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92D CONGRESS
1ST SESSION

H. R. 7027

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 1971

Mr. DULSKI (for himself, Mr. CORBETT, Mr. WALDIE, and Mr. SCOTT) introduced the following bill; which was referred to the Committee on Post Office and Civil Service

A BILL

To liberalize eligibility for cost-of-living increases in civil service retirement annuities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection 8340(c) of title 5, United States Code, is
4 amended by renumbering paragraphs (1) and (2) as para-
5 graphs (2) and (3), respectively, and by inserting the
6 following new paragraph:

7 “(1) An annuity, except a deferred annuity under sec-
8 tion 8338 of this title or any other provision of law, payable
9 from the fund to an employee or Member who retires, or to

1 the widow or widower of a deceased employee or Member,
2 which commences after the effective date of an annuity
3 increase under subsection (b) of this section but not later
4 than the effective date of the next such annuity increase,
5 shall not be less than the annuity which would have been
6 payable had the employee, Member, widow, or widower
7 been eligible for annuity, and had the annuity commenced,
8 on the first described effective date."

9 SEC. 2. This Act shall apply only with respect to an-
10 nnuities commencing on or after the date of enactment of
11 this Act.



CHAIRMAN

UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

March 25, 1971

Honorable Carl Albert

Speaker of the House of Representatives

Dear Mr. Speaker:

The Commission submits for the consideration of the Congress, and recommends favorable action on, the attached legislative proposal which provides that the immediate (not deferred) Civil Service Retirement annuity of an employee or Member of Congress retiring after the effective date of a cost-of-living annuity increase shall not be less than his annuity would have been if he had retired and had been eligible for annuity on the effective date. Similarly, the proposal provides that the annuity of an employee's or Member's widow(er) commencing after the effective date of a cost-of-living annuity increase shall not be less than it would have been if it had commenced on the effective date.

Whether an employee's annuity will be greater computed on the basis of (1) service and salary up to the effective date of the most recent cost-of-living increase, plus that percentage increase or (2) all service and salary up to the date of actual separation, without a cost-of-living increase, depends on factors which vary with the individual. Assuming a normal pattern of past and future salary increases, and a 5 percent cost-of-living increase, an employee would need 3-10 additional months' service, depending on his total years of service, for his annuity without the cost-of-living increase to equal the amount he could get if he had retired on the effective date of the cost-of-living increase. Under the proposal, an employee would in all cases receive the larger annuity.

The present cost-of-living adjustment provision, found in 5 U.S.C. 8340, provides that an employee must retire and his annuity must commence on or before the effective date of a cost-of-living annuity increase in order to have it applied in the computation of his annuity. The reasons for the proposed change are:

- (1) The present provision produces the anomaly of an employee who retires soon after the effective date of an increase receiving less annuity than

VIII

an employee, with the same service beginning date and high three-year average salary, who retires on or before the effective date, even though the employee who retires after the effective date has more service. A similar anomaly exists in computing a survivor's annuity because the survivor of an employee who dies on or before the effective date of a cost-of-living increase receives the increase, but the survivor of an employee who dies after the effective date does not receive it.

- (2) We are concerned about the way the large number of retirements triggered by cost-of-living adjustments affects the administration of the Civil Service Retirement System. The present cost-of-living adjustment provision "bunches" retirements immediately before the effective date of every cost-of-living annuity increase by accelerating the retirements of employees who had been planning to leave within six months or so after that date. The last such increase, effective August 1, 1970, for example, produced about 19,000 retirements in addition to the 5,000 or less that occur in a normal month. Despite the Commission's plans to cope with such a peak load, work is disrupted and annuity payments are seriously delayed when so many retirements that would otherwise have been evenly spaced over a period of several months occur at the same time.
- (3) Agencies throughout the Government are also adversely affected because an inordinate number of employees decide to retire immediately before a cost-of-living annuity increase. Many of these people, if they are willing, must be reemployed as annuitants to complete the projects on which they were working.

Enactment of the draft bill would (1) eliminate the anomaly between annuities that commence on or just before the effective date of a cost-of-living increase and those that commence shortly after that date; (2) moderate the peaking of retirements immediately before cost-of-living increases become effective; with an estimated savings of \$250,000 in administrative expenses now charged against the Civil

Service Retirement and Disability Fund for processing the peak workload that accompanies each cost-of-living adjustment; and, (3) reduce the disruption in the work of agencies throughout the Government caused by many employees suddenly retiring at the same time, with many leaving work projects incomplete.

To the extent that employees delayed retirement by a few months, they would (1) pay contributions to the Fund for a longer period, and (2) not receive any annuity for those months--a combination necessarily resulting in more money in the Fund. On the other hand, to the extent that employees who would have retired after the effective date of the cost-of-living increase anyway receive a higher annuity than they would have received if they had retired on the effective date, more money would be paid out of the Fund.

The additional annuity benefits which would be provided by the draft bill for each cost-of-living annuity increase authorized on or after its enactment would increase the unfunded liability of the Civil Service Retirement and Disability Fund. Assuming, for example, that the draft bill is enacted and that then a 5 percent cost-of-living annuity increase is effective June 1, 1971, the unfunded liability of the Fund would be increased by \$9.2 million. The annual interest on this \$9.2 million would be \$300,000.

Under 5 U.S.C. 8348(g), the Secretary of the Treasury, before closing the accounts each fiscal year, would have to credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of all interest on the unfunded liability existing at the start of each fiscal year: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. No payment would be required for fiscal year 1971, since the liability would be incurred after the start of that year. The Secretary of the Treasury would, at the end of fiscal year 1972, have to pay into the Fund 20 percent of the \$300,000 annual interest resulting from the assumed June 1, 1971 cost-of-living increase, plus, at the end of each subsequent fiscal year through 1980, the above-mentioned graduated percentages of the annual interest, so that the full \$300,000 annual interest amount would be paid at the end of fiscal year 1980 and each fiscal year thereafter.

Each additional cost-of-living annuity increase authorized subsequent to fiscal year 1971 would have a cumulative effect on the retirement Fund's unfunded liability and the annual interest thereon. If, for example, there is one cost-of-living annuity increase of 5 percent

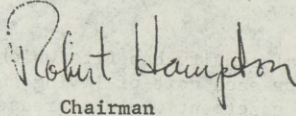
in each fiscal year 1971 through 1980, the unfunded liability would be increased by a little over \$92 million, and the annual cumulative interest payment due the Fund from the Secretary of the Treasury at the end of fiscal year 1981 would be a little over \$3 million.

The Office of Management and Budget advises that there is no objection from the standpoint of the Administration's program to the submission of this draft bill to Congress.

A similar letter is being sent to the President of the Senate.

By direction of the Commission:

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Robert Hampton". The signature is fluid and cursive, with the first name "Robert" and last name "Hampton" clearly distinguishable.

Chairman

LIBERALIZE ELIGIBILITY FOR COST-OF-LIVING INCREASES IN RETIREMENT ANNUITIES

MONDAY, MAY 3, 1971

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

The subcommittee met at 9:30 a.m., in room 210, Cannon House Office Building, Hon. Bill Chappell, Jr. (acting chairman), presiding.

Mr. CHAPPELL. The subcommittee will come to order.

The Subcommittee on Retirement, Insurance, and Health Benefits meets today to consider legislation designed to eliminate an anomaly in the cost-of-living provision of the civil service retirement law.

The law currently provides for cost-of-living increases whenever the Consumer Price Index rises by at least 3 percent for 3 consecutive months.

The amount of the increase is determined by then adding 1 percent to the highest percentage attained during the 3-month period.

As of March of this year this index rose by 3.5 percent of its May 1970 level, and with the additional 1 percent, the June 1 annuity adjustment will be 4.5 for employees already retired or who retire on or before May 31, 1971.

Under the existing law an employee who retires soon after the effective date of a cost-of-living increase receives a smaller annuity than does an employee with the same service beginning date and 3-year average salary who retires on or before the effective date, even though the employee who retires after the effective date has more service.

The present law also produces a "bunching" of retirements immediately before the effective date of every cost-of-living annuity increase. This results in administrative problems and delayed annuity payments.

The legislation proposed by the Civil Service Commission which we are studying today will remove the present inequities and resolve the previously mentioned problems that have resulted.

Our first witness today will be the Honorable Joel T. Broyhill, a Representative in Congress from the State of Virginia.

STATEMENT OF HON. JOEL T. BROYHILL, REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BROYHILL. Mr. Chairman, you have already explained the legislation, and in deference to the other witnesses and the schedule of the committee I should like to submit my statement for the record. I am

a sponsor of one of the bills mentioned before the committee. I was a sponsor of the similar bill in the last Congress in which the Civil Service Commission failed to make a report. Now, this year I understand they are supporting the objectives of this legislation. It is an inequity that should be corrected, Mr. Chairman. I think it would be in the best interest of the Government to correct the inequity because it would encourage the employees to retire earlier than they would normally retire in order to obtain the benefits under existing law.

This would correct that inequity and be in the best interest of those who are going to retire and the Federal Government. I hope the committee will look with favor upon this legislation.

Mr. CHAPPELL. Mr. Broyhill, thank you very much.

Mr. BROYHILL. Thank you.

(The prepared statement of Mr. Broyhill follows:)

PREPARED STATEMENT OF HON. JOEL T. BROYHILL OF VIRGINIA

Mr. Chairman, I want to thank you for the opportunity to testify this morning before the committee on this most timely and much-needed legislation.

As the committee is aware, I introduced legislation on March 6, 1969, in the previous Congress identical to H.R. 6952. Unfortunately, the committee did not receive a report on the bill from the Civil Service Commission, but instead the Commission requested this Congress to enact similar legislation earlier this year.

My bill, H.R. 6952, presently before the committee would amend title 5, United State Code, to provide that the civil service retirement annuity of an employee retiring after the effective date of a cost-of-living annuity increase but eligible for retirement on that effective date shall not be less than his annuity if he had retired on that effective date, and for other purposes.

My bill and, as I read it, Mr. Dulski's bill H.R. 7027, will make much-needed changes in the annuity computation in connection with the automatic cost-of-living adjustment provisions of the law.

Under certain circumstances an inequitable and anomalous situation does result through the application of the provision of the present law. When a cost-of-living increase is determined, it is made applicable to all persons on the retirement roll for a certain month, but not to those who come on the roll in subsequent months. For example, a most recent cost-of-living adjustment would award a 4.5-percent increase in annuity benefit rates for persons who will be on the roll on or before June 1, 1971, with the first increase being payable in the July 1 annuity checks. Those who will retire on June 1 and thereafter will receive no such increase.

Such a procedure has very undesirable effects insofar as both the Government and the members of the plan are concerned. A person who retires just after the effective date but who could have retired before it will receive less because he worked longer than if he had retired earlier.

This same situation can prevail for persons retiring not only several months, but even up to as much as 1½ years after the effective date (until the increased service and probably larger high-3-year average wage more than offsets the cost-of-living adjustment). Certainly it seems a most inequitable retirement system that pays a person a lower pension for working longer. Then, too, it seems unfair that knowledgeable people will retire before the effective date of a cost-of-living increase so as to obtain a larger pension, whereas unknowledgeable people will not do this and will be penalized.

The Government, too, is adversely affected by this provision. When an effective date for a cost-of-living adjustment is announced, many people who expected to work for several months in the future would forthwith retire and would not complete the particular work projects on which they were engaged. It seems poor personnel management procedure to have retirements precipitated in this manner instead of being done in an orderly fashion.

My bill provides a "notch" provision guaranteeing that an individual's pension will be at least as large as if he had voluntarily retired just before the effective date of the last cost-of-living adjustment. The individual would, of course, have to be eligible for retirement on that date. My bill would provide equity to all members of our civil service pension program and will improve personnel management of the Government.

It is my understanding that H.R. 7027 will further extend these benefits to widows and children. I support such extension.

I again want to thank you Mr. Chairman for the opportunity to speak on this much-needed change to the law in this regard.

Mr. CHAPPELL. The next witness is Mr. Andrew E. Ruddock, Director, Bureau of Retirement Insurance, and Occupational Health, U.S. Civil Service Commission.

Mr. Ruddock, if you or any of the other witnesses prefer to submit your full statement for the record and then summarize, you may do so.

Mr. RUDDOCK. Mr. Chairman, my statement is quite brief, and with your permission I would like to read it for the subcommittee.

Mr. CHAPPELL. You may proceed.

STATEMENT OF ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH, U.S. CIVIL SERVICE COMMISSION

Mr. RUDDOCK. Mr. Chairman and members of the subcommittee, I am pleased to appear before your subcommittee this morning to urge the speedy consideration and enactment of H.R. 7027. I thank you for taking up the bill for this early hearing today. By letter dated March 25, 1971, addressed to the Honorable Carl Albert, Speaker of the House of Representatives, the Commission submitted for the consideration of the Congress, and recommended favorable action on legislation which now is incorporated in H.R. 7027. I would like to suggest that, with the permission of the chairman, the Commission's letter be made a part of the subcommittee's proceedings.

The purpose of H.R. 7027 is to correct an anomaly that exists with respect to cost-of-living adjustments in civil service retirement and survivor annuities. The bill in effect liberalizes the requirements to be met for entitlement to the cost-of-living annuity increases.

The civil service retirement law provides for the automatic increase of civil service annuities when the cost-of-living, nationwide, goes up at least 3 percent over the Consumer Price Index for the month used as the base for the most recent cost-of-living annuity increase, and stays up by at least 3 percent for 3 consecutive months. Under this provision, cost-of-living annuity increases were authorized in 1965, 1967, 1968, twice in 1969, and again in 1970. Another increase of 4.5 percent is scheduled for June 1 of this year.

Under the present law, in order to get the June 1, 1971, increase in annuity, an employee must retire no later than May 31, 1971. If he continues to work after that date, he may receive a smaller annuity. Although his additional service will contribute toward a higher annuity, it will take 3 to 10 months, depending on his particular service record, simply to recoup the increase he could get if he retires from Federal service by May 31.

Similarly, for a widow to get the cost-of-living increase, her employee-husband must die before May 31. If he dies on or after June 1, the widow loses the increase.

Under H.R. 7027, an employee retiring on or after the effective date of a cost-of-living increase, and the widow of an employee who dies on or after that date, will be guaranteed an annuity at least as large as would have been paid if the employee had retired, or died, before the effective date of the increase. This will eliminate the anomaly of an employee who is separated for retirement on or soon after the effective date of an increase receiving a smaller annuity than an employee who

retires before the effective date, even though the employee who retires on or after the effective date of the increase has as much or more service and the same or larger high-3 average salary. It will also eliminate the parallel anomaly for widows and widowers.

The bill extends this liberalization to an employee who did not meet the age and service or other requirements for annuity before the effective date of the cost-of-living increase. This is a fair and reasonable extension of the treatment that would be given to the widow whose husband dies after that date, and the employee who becomes disabled or is separated by reduction in force after that date.

In other words, it would be less than fair to withhold a cost-of-living increase from a widow or a disabled retiree because death or disability occurred 1 day or 1 week too late. Equity would appear to demand that all of these employees and survivors get no less in annuity than the amounts paid others on the basis of the same, or even shorter, service.

In addition, as is noted in the Commission's March 25 letter to the Speaker, we are concerned about the way the large number of retirements triggered by cost-of-living annuity increases affect the administration of the Civil Service Retirement System. The present cost-of-living adjustment provision works to cluster retirements immediately before the effective date of every cost-of-living annuity increase.

Employees who had been planning to leave within 6 months or so after that date retire just before that date to get the benefit of the increase. For example, the last increase, which was effective August 1, 1970, produced more than five times the number of retirements that occur in a normal month.

Enactment of H.R. 7027 would work to moderate the peaking of retirements immediately before cost-of-living increases become effective, with savings roughly estimated at \$250,000 in administrative expenses now charged against the Civil Service Retirement and Disability Fund for processing the peak workloads that arise at these times.

Agencies throughout the Government are also adversely affected when an inordinate number of employees decide to retire immediately before a cost-of-living annuity increase. Many of these people, if they are willing, are reemployed as annuitants to complete projects on which they are working.

To the extent that employees delayed retirement by a few months because of enactment of H.R. 7027, they would pay contributions to the Civil Service Retirement and Disability Fund for a longer period, and not receive any annuity for those months—a combination necessarily resulting in more money in the fund.

On the other hand, to the extent that annuities are increased for employees who would have retired after the effective date of the cost-of-living increase anyway, more money would be paid out of the fund. The net result would be an estimated increase in the unfunded liability of the fund by \$7.5 million. The annual interest on this \$7.5 million would be \$265,000.

Assuming enactment of H.R. 7027 before the start of fiscal year 1972, the Secretary of the Treasury would, under provisions of present law, have to pay into the fund 20 percent of the \$265,000 annual interest, or \$53,000, at the end of fiscal year 1972, 30 percent, or \$79,500, at the end of fiscal year 1973, 40 percent for fiscal year 1974, and so on, so that the full \$265,000 annual interest would be paid at

the end of fiscal year 1980 and each year thereafter. Also, the retirement fund's unfunded liability and the annual interest thereon would be increased further with each subsequent cost-of-living annuity increase, and interest would become payable on the cumulative amounts according to the same graduated schedule, so that 100 percent of the total interest would be payable each year beginning at the end of fiscal year 1980.

To sum up, enactment of H.R. 7027 would:

(1) Eliminate the anomaly of a difference in amount between annuities that commence on or just before the effective date of a cost-of-living increase and those that commence shortly after that date;

(2) moderate the peaking of retirements immediately before cost-of-living increases become effective; and

(3) reduce the disruption in the work of agencies throughout the Government caused by many employees suddenly retiring at the same time.

The cost of these changes would be fully financed by paying the interest due on the net increase in unfunded liability, as provided under present law.

I would be glad to answer any questions that the subcommittee may have.

Mr. CHAPPELL. I have a few questions, Mr. Ruddock, after which I will yield to the other members.

First of all, how many employees retire from the Federal Service each month?

Mr. RUDDOCK. In an average month, it's 4,500 to 5,000, so that it runs for a year from 50 to 60,000 employees retiring.

Mr. CHAPPELL. All right; how many employees would you expect to retire this month by reason of the 4½-percent increase which will become effective?

Mr. RUDDOCK. We don't have a good fix yet on how many people are planning to retire at the end of May. When we had the last annuity increase, which was effective August 1 of 1970, for the 2 months of July and August, in other words, the period just before the increase, we had 29,000 people retire so that we estimate that we had about 19,000 over and above normal.

Mr. CHAPPELL. I suppose that the number which exceeds the normal retirements is made up largely of persons who otherwise would be contemplating retiring some time after May 31 or maybe by the end of this calendar year. These employees are, in effect, advancing their retirement by several months just in order to take advantage of this cost-of-living increase.

Is that correct?

Mr. RUDDOCK. Yes, sir; although we do believe that it includes some people who might not have retired for quite some time, perhaps another year or two, but this does serve as a means of helping them to make up their minds to retire at this particular time. So we have both kinds.

Mr. CHAPPELL. I see.

You have really been trying to bring to our attention, I think, the fact that if this bill passes there will be a substantial savings in reduced cost by reduction of overtime and a number of other expenses. This would in part offset the increased cost of the new law.

Mr. RUDDOCK. It would help to do that, yes, sir. We estimate that

because of the overtime that we have had to use that we have averaged about \$250,000 a year in overtime to process the extra work that occurs at the annuity increase periods.

Mr. CHAPPELL. Mr. Powell.

Mr. POWELL. I do have one question.

If the bill isn't passed in time, which is a distinct possibility, how would the Commission feel about making the effect of it retroactive?

Mr. RUDDOCK. That would give us some problems. It's a decision that will need to be faced if the legislation is not enacted before May 31, since its purpose is to—let's say—ease the difficult decision that employees have to make who desire to retire.

Really, it wouldn't serve quite that purpose if it were enacted and became effective in July or August or September. It would appear to me that if it's not enacted by May 31 that serious consideration should be given to making it effective with the next annuity increase rather than for any period of retroactivity.

Now, one of the difficulties of retroactivity, as you will recognize, is that in addition to normal workloads, you would need to take from the files and readjudicate and recompute cases in order to apply this law and to apply it to people whose decision was not affected by the legislation itself.

Mr. POWELL. Would you assume that employees would not delay the advancement of their retirement on the assumption that perhaps it will not pass even though it had a retroactive clause in it?

Mr. RUDDOCK. I would doubt that quite seriously, and my reason would be that most of the legislation which affects retirement, affects that only, and I think most employees would be quite reluctant to make a decision as important as this one on an assumption that an exception would be made here, and it would be retroactive.

That is just my judgment on it.

Mr. CHAPPELL. Are there any other questions?

Thank you very much, Mr. Ruddock.

Mr. RUDDOCK. Thank you.

Mr. CHAPPELL. Our next witness is Mr. Dan Jaspan, legislative representative, National Association of Postal Supervisors.

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

Mr. JASPAN. Mr. Chairman, for the record, my name is Dan Jaspan, legislative representative for the National Association of Postal Supervisors. We have more than 35,000 members in every State of the Union and all branches of the postal service.

It is pretty difficult to follow Andy Ruddock and add anything to what he said, because Andy is always very thorough.

We are very happy that the Commission and the administration are backing H.R. 7027, which is a most important bill to postal supervisors.

I do not have a prepared statement, Mr. Chairman, so I will just make a short presentation in full support of the bill as written with one possible amendment. As you know, right now we are in the midst of a changeover in the Postal Service to a new idea, sort of a postal corporation. We are not certain—unless it is specifically stated in the bill whether or not the Postal Service will be included in this proposal.

We would like to see it spelled out definitely that it will apply to the U.S. Postal Service as well as all the other Federal agencies in order to prevent any misinterpretation.

We are very much interested in this kind of legislation because, unfortunately, postal supervisors want to retire as quickly as possible after reaching the magic 55-30. Many of them miss it by a month or 2 every time there is a cost-of-living annuity increase. This would take care of those people. And in addition to cutting the cost to the Civil Service Commission, this bill would prevent the long wait necessary before the first annuity check is received.

Since they are piled up with work at the Commission every time there is a cost-of-living increase, it takes a while to process all the applications. So this would serve a twofold purpose of cutting costs and having the checks sent out a lot faster.

Mr. Chairman, I do hope that the subcommittee will report the bill favorably as quickly as possible so that it can be enacted in plenty of time before the end of the month. Early enactment would give the people who are deciding whether or not to take advantage of the retirement a little time for consideration. In some offices of the Postal Service, I understand they already told them that they better be ready to be out by May 31 if they want the additional annuity.

We appreciate the opportunity of appearing before the committee to present our views on H.R. 7027.

Mr. CHAPPELL. Thank you very much, Mr. Jaspan.

Mr. Scott.

Mr. SCOTT. I would just thank you for being here, Mr. Jaspan. I believe our subcommittee does look favorably on this measure. As you put it, it is just a fair and equitable thing to do.

Mr. JASPAN. We appreciate your being a cosponsor of this bill. We know you have the Federal employees' interest at heart at all times.

Mr. CHAPPELL. Mr. Jaspan, I might read into the record section 1005, subsection (d), of title 39, United States Code, which reads as follows:

Officers and employees of the Postal Service (other than the Governors) shall be covered by chapter 83 of title 5 relating to civil service retirement. The Postal Service shall withhold from pay and shall pay into the Civil Service Retirement and Disability Fund the amounts specified in such chapter. The Postal Service upon request of the Civil Service Commission, but not less frequently than annually, shall pay to the Civil Service Commission the costs reasonably related to the administration of fund activities for officers and employees of the Postal Service.

Perhaps that would ease your feelings a little bit.

Mr. JASPAN. I am familiar with that section. Whenever there is a law enacted we are always concerned that there may be a misinterpretation of it. I believe some of these things will possibly be negotiable in the future.

Mr. CHAPPELL. I have no further questions. Thank you very much.

Mr. JASPAN. Thank you, sir.

Mr. CHAPPELL. Our next witness is Mr. Patrick Nilan, legislative director, United Federation of Postal Clerks, accompanied by Mr. Joseph F. Thomas, director of organization.

Mr. Nilan and Mr. Thomas, glad to have you with us.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS, ACCOMPANIED BY
JOSEPH F. THOMAS, DIRECTOR OF ORGANIZATION**

Mr. NILAN. Thank you very much, Mr. Chairman. Mr. Thomas and I are appearing before you this morning as the spokesmen for some 310,000 postal clerks whom we represent under our collective bargaining contract with the Post Office Department.

We are very gratified that this committee, yourself, the permanent chairman, Mr. Waldie, and the other members of the committee have arranged these hearings at this particular time. We are also very appreciative of Mr. Dulski, the chairman of the full committee, for being a principal sponsor of H.R. 7027, cosponsored by our recently deceased friend and great champion, the Honorable Bob Corbett of Pennsylvania, as well as Chairman Waldie and Mr. Scott, who are sponsoring the legislation.

We are very gratified and appreciate the excellent statement by our good friend and representative of the Civil Service Commission, Andrew Ruddock. As usual, he does a beautiful job in preparing his testimony, and we certainly concur in his presentation. We are very gratified also that the Civil Service Commission and the administration is supporting the legislation, and we also know of no opposition to the proposed legislation. Therefore, we have not prepared a formal, written statement for presentation since we concur in the legislation as written.

We want to cooperate with the committee and with the other witnesses that are appearing this morning in our hopes and efforts to have the legislation considered and reported as soon as possible by the committee, enacted by the Congress, and approved by the President. We do urge, though, Mr. Chairman, in response to Congressman Powell's question, that the committee does give consideration to making this effective as of the current May 31 effective date if it cannot be enacted prior to that date.

We would like to believe that the Congress, recognizing the equitable provisions of this legislation and the fact that Mr. Fong and Mr. McGee on the Senate side last Thursday sponsored similar legislation, and that it can and will be enacted with the next 10 or 15 days. However, if it should not be enacted within that period of time, or prior to May 31, we do feel that the survivors, for example, widows, widowers, surviving children of a Federal employee or postal worker who may not retire as of May 31, but who may pass away following that date, that if it is made retroactive it would at least provide the cost-of-living increases to the survivors who generally need it very bad, survivors of our postal clerks and other of the lower paid postal employees.

So we would like to suggest that assuming the Congress does not or is unable to act fast enough that consideration be given to making this retroactive.

We have a concern in the legislation in the fact that because of the situation which Mr. Ruddock pointed out so well that many of our people who retire, for example, prior to May 31, on or before, find that because of the difficulties that the Commission experiences in computing retirement annuities and getting the checks actually prepared, that some of our people find that they do not receive their first

annuity check until sometimes 2, 3, sometimes 4 or 5 months after the date they retire, and the cost of living is going up. And, of course, this is a great hardship on them. We do believe that if the legislation is enacted this will limit the bunching of the retirement of these Federal postal workers and also will eliminate the time lag which often is necessary to have their retirements computed.

Mr. Chairman, we do support the legislation. We commend the committee for the hearing. We are very hopeful as was indicated by Mr. Jaspán and Mr. Ruddock that the committee and the Congress will act as soon as possible and that the legislation will become a law of this great country of ours.

Thank you very much, Mr. Chairman.

Mr. CHAPPELL. Thank you very much, Mr. Nilan.

Mr. Powell, any questions?

Mr. POWELL. No.

Mr. CHAPPELL. Mr. Scott, do you have any questions?

Mr. SCOTT. No.

Mr. CHAPPELL. In view of the fact of the section which I previously read into the record, section 1005, subsection (d) of title 39, in view of the fact that it says officers and employees of the Postal Service shall be covered by chapter 83 of title 5 relating to civil service retirement, is there any question in your mind that we need to amend this bill in that regard?

Mr. NILAN. We have discussed this briefly with Bob Hampton, Chairman of the Commission, and also this morning with Mr. Ruddock. We have great confidence in their judgment and the way the language of the law applies. I do think it is appropriate that the statement that you just read into the record is a part of the record. I do not believe personally it would require any additional language in the bill. However, I would be less than derelict in my duties as legislative representative if I did not say that the way negotiations are going between our unions and the Post Office Department at the present time, we always have great concern as to what may or may not occur in the future.

But we do appreciate Mr. Jaspán bringing it up, and since he did, I did not.

Mr. CHAPPELL. Fine; I think this record will reflect perfectly clear that the intent and purpose of the legislation was to include employees of the Postal Service.

Are there any further questions? If not, thank you very much, Mr. Nilan.

Mr. NILAN. Thank you.

Mr. CHAPPELL. Mr. Scott.

Mr. SCOTT. Mr. Chairman, I have a statement which I would like to insert in the record in support of this measure.

Mr. CHAPPELL. So ordered.

Mr. SCOTT. I have no remarks to make, Mr. Chairman, other than to express my favor of the bill I am privileged to cosponsor.

Mr. CHAPPELL. The statement will be made a part of the record at this point.

(The statement referred to follows:)

**STATEMENT OF HON. WILLIAM L. SCOTT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF VIRGINIA**

Mr. SCOTT. Mr. Chairman, I welcome the opportunity to appear before you and other members of the subcommittee as a strong supporter and cosponsor of H.R. 7027, which would liberalize eligibility for cost-of-living increases in civil service retirement annuities.

This legislation is recommended by the U.S. Civil Service Commission and I believe the arguments presented by its chairman, Mr. Robert Hampton, in his letter to Speaker Carl Albert, are logical and compelling. He reasons that under the present cost-of-living provision it is possible for an employee who retires soon after the effective date of an increase receiving less annuity than an employee with identical service tenure and salary base, who retired on or before the effective date, even though the employee who retires after the effective date has more service. A similar situation exists in computing a survivor's annuity.

Also to be considered is the affect the large number of retirements triggered by cost-of-living adjustments have on the administration of the Civil Service Retirement System. No matter the efforts of the Commission to handle this problem in an efficient and orderly fashion, the end result is usually the opposite. As an example of the workload experienced by a cost-of-living adjustment, just last August 1, 1970, produced 19,000 retirements in addition to the 5,000 or less that occur in a normal month. Agencies throughout the Government are also adversely affected because too many employees decide to retire immediately before a cost-of-living annuity increase causing their reemployment as annuitants to complete the projects on which they were working.

Mr. Chairman, this legislation will help to eliminate the problems enunciated above. Therefore, providing for fair and equitable treatment of all Federal employees, relieving the Commission of the burdensome administrative task of handling an inordinate amount of retirement applications at one time, and granting to the agencies throughout the Government a tool by which they can use to deal more efficiently with their workloads.

The suggested change in the cost-of-living provision will also aid to a considerable extent those Federal agencies which are now presently engaged or will be in the foreseeable future in major reductions in force actions or reorganizations.

It should be borne in mind that employees who delay their retirement by a few months would pay contributions to the fund for a longer period and not receive any annuity for those months, resulting in a combination of more money in the fund.

Mr. Chairman, enactment of this legislation will accrue to the benefit of Federal employees and the Federal Government.

Mr. CHAPPELL. The next scheduled witness is Dr. Nathan T. Wolkomir, accompanied by Mr. Ben Hinden, legislative representative.

Gentlemen, we are glad to have you with us.

Mr. HINDEN. Mr. Chairman, I am Ben Hinden, legislative representative of the National Federation of Federal Employees.

Dr. Wolkomir is out of the city, and, therefore, I am here to read his statement on H.R. 7027.

**STATEMENT OF BEN HINDEN, LEGISLATIVE REPRESENTATIVE OF
THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES ON BE-
HALF OF NATHAN T. WOLKOMIR, PRESIDENT**

Mr. HINDEN. As you know, the National Federation of Federal Employees is the pioneer and the largest of the independent general unions of Federal employees. For over 53 years the NFFE has been promoting the welfare of Federal employees and the public interest.

The NFFE is glad to have the opportunity to submit its views on H.R. 7027. We strongly support this bill which corrects an inequity. Presently, Federal employees who retire after the effective date of a cost-of-living increase, in civil service retirement annuities, do not receive the increase. H.R. 7027 should eliminate the rush to retirement now occasioned by cost-of-living increases.

For example, a Federal employee must retire by May 31, 1971, in order to receive the 4.5-percent annuity increase recently announced following the release of the Bureau of Labor Statistics figures. Under existing law those retiring after this date would not get that increase. It is only fair and equitable that a Federal employee retiring after an annuity date increase should receive an annuity taking into account the last preceding cost-of-living increase.

The justice and equity represented by this legislation is so very clear that the subject needs neither extensive laboring nor time-consuming detailing. Indeed, in view of the strong bipartisan support for this legislation and the administration's favorable position on it, the principal issue at this point would appear to be the need for speedy action in relation to the upcoming cost-of-living annuity increase.

The prompt action by this subcommittee, Mr. Chairman, fully recognizes this aspect of the situation and you and your associates are to be commended for moving swiftly on it.

We are grateful for the interest manifested in this subject as we have received considerable inquiries concerning the need for this legislation.

In closing, Mr. Chairman and members of the subcommittee, I would like to add the general observation that I am certain you are aware that we should not disregard the valuable contributions made by Federal retirees. They and present Federal employees have a share in making the country the great democracy it is.

Without their devotion to duty, this Nation would not have advanced as far or as quickly as it has. We owe a debt of gratitude to our Federal retirees and we should not permit inequities in the retirement system to exist without taking remedial legislative action. There are retirees and survivors who live on less than subsistence incomes. Legislation should be considered to raise their annuities and to set reasonable amounts as a minimum annuity.

I express my thanks to you and the members of the subcommittee for your action on H.R. 7027.

Mr. CHAPPELL. Thank you, Mr. Hinden.

Mr. Powell.

Mr. POWELL. No questions.

Mr. CHAPPELL. Mr. Scott.

Mr. SCOTT. No, thank you.

Mr. CHAPPELL. Thank you very much, Mr. Hinden. We appreciate your testimony.

Mr. HINDEN. Thank you.

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

Mr. Dorson, we welcome you to this meeting.

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

Mr. DORSON. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is C. L. Dorson and I am president of the Retirement Federation of Civil Service Employees, an organization of approximately 90,000 members most of whom are active employees of the Federal Government.

We support the primary purpose of H.R. 7027 and appreciate your interest and effort in the matter, as well as that of the distinguished sponsors, because we believe it will do much to improve administration of the Civil Service Retirement System. If enacted, we expect that H.R. 7027 will have the effect of spreading the tremendous workloads which occur when cost-of-living annuity increases are due.

We do, however, have reservations concerning elimination of deferred annuities from the benefit proposed by H.R. 7027. While such annuities have not contributed appreciably to the problem the bill seeks to alleviate, we think their specific exclusion compounds an already existing inequity.

As you probably know, a former employee entitled to a deferred annuity does not begin to receive cost-of-living increases until he actually enters the annuity rolls at age 62. If he has to wait even a few years the value of his annuity can slip badly in terms of its purchasing power. To illustrate with a hypothetical case:

Two employees were employed at the same time and received the same salary during all of their service. Both were separated involuntarily on December 31, 1966, after rendering 15 years' service.

Employee No. 1 was age 62 when separated and received an annuity effective January 1, 1967.

Employee No. 2 will be age 62 on June 2, 1971, and will receive an annuity effective on that date.

Because their annuities began on different dates, even though they had the same average salary, the same service and contributed the same amount, employee No. 1 will receive on June 1, 1971, an annuity 25.8 percent larger than employee No. 2 will receive on June 2, 1971. And that isn't the end of the inequity; the annuity of employee No. 1 will continue to increase by larger amounts than the annuity of employee No. 2, with future cost-of-living adjustments, because he will receive percentage increases based on an annuity already more than 25-percent greater.

To avoid furthering this inequity we ask that you amend H.R. 7027 by striking out the words "except a deferred annuity under section 8338 of this title or any other provision of law" in lines 7 and 8 on page 1.

We hope our example of what now can and does happen to many deferred annuitants has convinced you that something should be done to prevent continuation of this inequity. Therefore, we ask that you further amend H.R. 7027 by inserting as you deem appropriate in the first section of the bill, the following:

"Deferred annuities under section 8338 of this title or any other provision of law shall be increased by the total percent allowed and in force under this section from the day after the date the employee was last separated from the service."

Mr. Chairman, we endorse H.R. 7027 with the amendments proposed and pray that the committee and the House will act promptly to bring about its enactment.

We greatly appreciate the opportunity you have provided for the expression of our views.

Mr. CHAPPELL. Thank you, Mr. Dorson.

Mr. Powell, do you have any questions?

Mr. POWELL. No.

Mr. CHAPPELL. Mr. Scott.

Mr. SCOTT. No, Thank you, Mr. Chairman.

Mr. CHAPPELL. Mr. Dorson, I would like to ask two or three questions. One question relates to your statement here at the bottom of page 1 and commencing over on page 2. You suggest that all cost-of-living increases which occur between the date of an employee's separation and the commencing date of his annuity at age 62 be accrued and applied to his earned annuity rate. Now, is that what you are saying?

Mr. DORSON. Yes, sir.

Mr. CHAPPELL. It seems to me that you can run into a real can of worms on that issue. Let's take this example. Suppose an employee leaves the Government at age 30. Also, assume he has sufficient service to be entitled to a deferred annuity at age 62. Now, if you suppose that you apply 5 percent of the annuity increase effective each year thereafter, 32 years later, at age 62 now, his annuity will be increased by 160 percent. Isn't that essentially what could happen in your proposal?

Mr. DORSON. Yes, sir; it could be as much as that. In just 4 years and 5 months; it has increased 28.8 percent.

Mr. CHAPPELL. Mr. Dorson, I am a new member on this subcommittee. However, it seems to me that the committee has never considered a proposal such as the one you are making.

I am fearful that, if we try to wrestle this problem into the legislation before us this morning, it would seriously delay its enactment.

I wonder if it might not be better to wait until a different time—in view of the very vital time schedule that we have here—to consider that sort of an amendment.

Mr. DORSON. Mr. Chairman, you are probably right, and I have no wish to delay the legislation at all. I did think it quite proper under the circumstances to bring the matter to the committee's attention. If it would delay the legislation in any way to make the cost-of-living effective from the date of last separation, then most certainly I would hope that the committee would deal with it, but at a later date. It has gone on this long, and I suppose a little longer would not make that much difference. I would hope that the committee could in this particular instance strike out the exception of deferred annuitants in H.R. 7027, which would do nothing more than make them eligible along with other types of annuitants whose increases might become effective in the interim period between two cost-of-living increases, and that that problem might be dealt with without too much effort or delay.

Mr. CHAPPELL. I thank the gentleman for bringing this to our attention.

Mr. SCOTT. Mr. Chairman, if I might just comment on the witnesses' proposal very briefly.

You know, we get into all kinds of ramifications when we attempt to amend our retirement laws. We now have our retired military that want recomputation of military pay. This is a very broad field.

We now have what I think is a good bill to remove an injustice. I believe everyone is in favor of this bill. If we are to consider these other matters we are going to have to hold extensive hearings. They would be controversial, because even recomputation of the military pay, I am told, would cost us a billion dollars a year. So, in my judgment, Mr. Chairman, we should not consider any other proposals at this time.

Mr. CHAPPELL. Thank you, Mr. Scott. Are there any further comments or questions?

Mr. Dorson, thank you so very much.

Mr. DORSON. Thank you.

Mr. CHAPPELL. Gentlemen, I believe that concludes the list of witnesses that we had scheduled this morning.

Let me express the appreciation of the committee to all of you gentlemen who appeared before us this morning. You were brief and to the point and gave us the information which was needed.

The Chair would like to announce that it has the following statements which have been submitted for the record: statements by Mr. David Silvergleid, president of the National Postal Union; Mr. John McCart, operations director, Government Employees Council; Mr. John F. Griner, national president, American Federation of Government Employees; Mr. Claude E. Olmstead, president, National Rural Letter Carriers' Association; and Mr. J. Stanly Lewis, vice president, National Association of Letter Carriers. Without objection these statements will be made a part of the record at this point.

The Chair would also like to announce that the subcommittee will receive any additional statements which are forwarded for inclusion in the hearing record. If received in time for final printing, they also will be included.

The hearing is adjourned.

(Whereupon, at 10:10 a.m., the hearing was adjourned, and the subcommittee went into open executive session.)

STATEMENT OF DAVID SILVERGLEID, PRESIDENT, NATIONAL POSTAL UNION

Mr. Chairman and members of the subcommittee, I am David Silvergleid, President of National Postal Union, located at 425 13th Street, Northwest, Washington, D.C. We represent over 80,000 postal employees, organized in over 600 local affiliates in 50 states, including Puerto Rico and the District of Columbia. I am accompanied by our Legislative Directive, Edward L. Bowley.

At the outset, we wish to thank you, Mr. Chairman, for scheduling these hearings on a matter which is of considerable importance to all Federal employees. We are hopeful the Subcommittee will recognize the glaring inequity in existing law which permits an employee to receive a greater annuity than another employee under identical circumstances because one chooses to retire at a later date. We are hopeful this will be corrected by the first session of the 92nd Congress through this legislation.

We endorse and support H.R. 7027 and would like to take this opportunity to focus briefly on other related aspects of the retirement law which in our opinion are deserving of the attention and consideration of this committee.

We would like to call to the Subcommittee's attention the fact that retirees are among those hit the hardest by the expanding inflationary spiral. Other employees who might be considering retirement are often compelled to work longer than is required because of the economic situation.

National Postal Union is grateful for the recent liberalizations contained in PL 91-658. However, we urge this committee as soon as feasible to consider additional liberalizations that are so badly needed. We refer to such provisions as:

- Elimination of all deductions for widows' and dependents' annuities.
- Extension of all benefits to former employees now on the retirement rolls, and that all salary increases be immediately reflected in retirement benefits to all annuitants.
- Tax exemptions for all annuities.
- In a joint and survivor election to provide an annuity for spouse, the employee should have the right to revoke that election, increasing his annuity to the full amount. When a wife or husband for whom a deduction was made to assure survivors' benefits predeceases, the full annuity should be automatically restored.
- Optional Full Retirement After 20 Years of Service, regardless of age, based upon 2½% of the highest one-year of service, multiplied by the number of years of service, not to exceed 100%.

Congressman Frank Brasco (D-N.Y.), a member of this distinguished committee, recently introduced H.R. 7647, a bill that would permit optional retirement after twenty years of Federal service. National Postal Union supports this bill wholeheartedly.

We should like to point out that the Post Office Department continues to face major difficulties in attracting and retaining desirable personnel in many areas. H.R. 7647 would, in our opinion, go a long way in helping to reduce the staggering numbers of unemployed in this nation. Retirement benefits which were formerly an important factor in mitigating the recruiting problem of the Postal Service now loom as much less meaningful, in view of increasingly comparable and better retirement systems in the private sector, in many instances with no cost to employees. We also point out that benefits provided in the private sector, plus increased Social Security benefits, have in many instances placed the U.S. Civil Service Retirement Act in an inferior position.

As a postal union representing employees who have a considerable stake in the Civil Service Retirement System, we are deeply concerned with the needs for many improvements in the system and know that the members of this committee share those concerns.

We submit that when a Federal employe has concluded 20 or more years of dedicated and loyal service, he or she should be given the opportunity to retire optionally, without any reduction in the annuities which they have so richly earned.

We make a special plea of behalf of retirees. The fact is that the nominal value of annuities have consistently dwindled in practice, due to the steady increase in the cost of living, increases which have never been properly offset in the last ten years. We believe that the Government should assure equal annuities for all retirees and survivors, based on equal service regardless of the date of retirement of the employee. While past legislation attempted to accomplish nominal comparability in salary for active employees, no such comparability is assured retirees.

A large number of retired workers now receive monthly benefits below \$200. More than 50% of all eligible survivors receive less than \$100 a month. The present cost of living formula for pension adjustment operates so that annuitants must necessarily be deprived of many necessities while costs are increasing. When they receive a cost of living increase, it is not sufficient to pick up the slack for expenditures they have incurred while living costs were going up.

Mr. Chairman and members of the Subcommittee, may we express our sincere appreciation for your interest in seeking a proper solution to the inequities presently in existing law, and for this opportunity you have given us to express our views on this subject as well as other areas requiring your eventual attention. Thank you.

STATEMENT OF JOHN A. MCCART, OPERATIONS DIRECTOR, GOVERNMENT
EMPLOYEES COUNCIL

Mr. Chairman and members of the subcommittee, the Council and its 34 AFL-CIO unions representing more than 1 million Federal employes are pleased to inform you of their support of the bill under consideration.

Since December, 1965, retired Federal workers and their survivors have been eligible for increases in their pensions when the Consumer Price Index reveals a rise of at least 3% for three consecutive months. In October, 1969, an

amendment was enacted authorizing the addition of 1% to the annuity increase described above. The purpose of this revision was to account for the delay between the initial 3% CPI increase and its reflection in Civil Service pensions some months later.

The 1965 statute made it clear, however, that only those in a retired status before the effective date of the cost of living adjustments would be eligible to receive it. This is the problem to which H.R. 7027 addresses itself.

Under the existing statute, individuals who retire the month following the effective date of such an annuity adjustment must wait until living costs increase at least 3% and maintain that level for three months before having their pensions revised. Since the cost of living feature was added to the Civil Service Retirement Act six years ago, a year or more has elapsed between these increases. Thus, the employee who retired after the last increase took effect could not anticipate an adjustment in his retirement income until the formula was met.

To make the point clearer, it has now been determined that retired employees and eligible survivors will receive a 4.5% cost of living increase in their annuities under the formula outlined in the statute. However, active Federal workers must retire before May 31 to be eligible for this additional benefit. Those who retire later will not realize the effects of the cost of living factor in their pension checks until the next adjustment is decided.

Put another way, an employee who retires immediately after an annuity increase will receive a smaller pension than the worker who retired just prior to the adjustment, even though both may have the same number of years of service and the same "high three" average salary.

This is the case of the inequity to the employee or the survivor.

However, certain disadvantages accrue to the Civil Service Commission and Federal agencies under the present arrangement.

The existing situation results in large numbers of employees deciding to retire shortly before the effective date of an increase to be eligible for the additional monthly sums to which they will be entitled. Agencies are confronted with the loss of these employees' services and must search for other ways to accomplish the workload.

The Civil Service Commission which administers the program and must process, maintain, and arrange monthly retirement payments is deluged with retirement applications. In some instances, employees have encountered delays in receiving payments because of the upsurge in the workload of the Commission.

H.R. 7027 corrects these deficiencies by guaranteeing that employees who retire between such increases will receive the benefit of the adjustment made prior to their moving from active status to the retired rolls. I will also alleviate the "peaks and valleys" experienced by the Commission and other agencies.

Approval of H.R. 7027 will remove the unequal treatment accorded groups of Federal employees and will benefit the Federal Government as an employer. Therefore, the Council recommends strongly that the Subcommittee endorse the bill at the earliest date possible.

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

The American Federation of Government Employees, representing the largest number of Federal employees ever organized by any single union in history, endorses the provisions of H.R. 7027, a Bill to liberalize eligibility for cost-of-living increases in civil service retirement annuities. We are grateful to Congressman Dulski, Waldie and Scott, and to the late Congressman Corbett, for introducing this wise Bill.

When passed, this Bill will assure that the civil service annuity of a Federal employee who retires after the effective date of a cost-of-living annuity adjustment shall not be less than the increased annuity which would have been payable had the employee retired immediately prior to the effective date of that adjustment.

When passed, this Bill will eliminate the abrupt, erratic and inequitable fluctuations in annuity rates which exist today. Under existing law, employees are confronted by situations where if they retire the day after the effective date of the cost-of-living increase they receive less annuity for the rest of their lives than if they had retired, for example, two days earlier. In effect, their annuity is discounted by the exact percentage of the cost-of-living increase. Situations also arise such that if they retire as much as three or four months after the effective date, they still receive a lower annuity despite the facts that

they have more service to their credit and that both they and their employer have contributed more to the Retirement Fund.

The impact of this situation on Federal employees has resulted in the "massing" or "bunching" of retirements immediately before the effective date of every cost-of-living annuity increase. It has produced improper pressures on the individual employees, many of whom are confronted with a choice of retiring at a season which is inconvenient both to themselves and to their Federal agency or sacrificing thousands of dollars of potential annuity.

These tensions, which adversely affect the welfare of these employees as well as the efficient administration of the program functions of Federal agencies, also disrupt the administration of the Federal civil service annuity system. Hundreds of Federal employees, already forced to suffer the psychological tensions before retirement, are finding that their annuities are not being properly computed or their annuity checks are being delayed solely because of the backlog of claims clogging the Federal annuity "pipeline." Thus the pressures, tensions, disruptions which preceded the retirement date are prolonged for months after the retirement date.

I believe that Federal employees are entitled to retire in dignity and that their transition from active to retired life should be tranquil and even joyful. Neither the actions of individuals nor the inefficiencies of a "system" should produce harassments. Today, regrettably, the retirement system, requiring "shot-gun" decisions resulting from the present method of administration of the cost-of-living increase, disrupts the orderliness that should exist during the retirement transition period and produces tensions for both the employees and for their agencies. H.R. 7027 will remedy that situation and an atmosphere of rationality and order will be restored to the individual employee and to his agency.

Another favorable feature of this Bill is that its cost will be minimal. If the Bill were passed in time to be effective prior to the next cost-of-living adjustment of 4.5% effective June 1, 1971, the total increase in the unfunded liability would be approximately \$7.5 million. Under current funding procedures, this would impose, during fiscal year 1972, a total cost on the U.S. Treasury of only \$60,000 in interest. Eventually, of course, in 1980, or eight fiscal years from this date, it would be costing the U.S. Treasury a peak of \$300,000 per year. Thereafter, with the natural attrition of time, the annual Treasury payments on the forthcoming 4.5% cost-of-living adjustment would decline and finally cease.

In return for this relatively modest increase in costs, the Federal government would experience a great improvement in agency program management, as well as in human efficiency and well-being, both before the retirement of the employee at the agency level and after retirement in the administration and the processing of the annuity payments. The administrative savings alone to the Civil Service Commission would, in the long run, compensate for any increases in annuity costs. The gains at the agency program level, moreover, will be reflected not only in monetary but also in human values.

Because the provisions of H.R. 7027 will produce only benefits since all apparent increases in cost will produce greater compensating savings, our organization is pleased to endorse fully H.R. 7027, and we urge its passage now before the effective date of the next cost-of-living increase.

I appreciate the opportunity to testify before you today.

NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES,
Washington, D.C., April 28, 1971.

HON. JEROME R. WALDIE,
Chairman, Subcommittee on Retirement, Insurance and Health Benefits, Committee on Post Office and Civil Service, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: It is our understanding that a hearing will be held by your Subcommittee on Retirement, Insurance and Health Benefits on Monday, May 3, 1971, at 9:30 a.m., in Room 210 Cannon House Office Building on H.R. 7027.

The National Association of Postmasters of the United States supports the enactment of this Bill into law and respectfully requests that this letter be entered into the record of the aforementioned hearing as evidence of our endorsement of this legislation.

As future civil service annuitants, the Postmasters of this nation favor the change this Bill will make by granting the cost-of-living increases in retirement

annuities regardless of whether or not the effective date of retirement precedes, occurs on or follows the effective date of that increase as now provided by statute.

With warmest personal regards and best wishes, we remain

Respectfully,

EDWARD V. DORSEY,
Executive Director.

STATEMENT OF J. STANLY LEWIS, VICE PRESIDENT, NATIONAL ASSOCIATION OF
LETTER CARRIERS

Mr. Chairman and members of the committee, My name is J. Stanly Lewis, and I am the Vice President of the National Association of Letter Carriers, with headquarters at 100 Indiana Avenue, Northwest, Washington, D.C. Our organization has a membership of over 217,000 including some 21,000 former letter carriers who are on the rolls of the Civil Service Commission's Retirement Bureau.

We appear before you today for the purpose of testifying in support of H.R. 7027, which has been introduced jointly by Chairman Dulski, former Ranking Minority Member, the late Robert J. Corbett, and Congressmen Jerome Waldie and William Scott.

We commend Chairman Waldie for the timely scheduling of these hearings, and urge that prompt action be taken in both Houses of Congress so that this meritorious legislation can be placed on the statute books prior to June 1, 1971.

The enactment of Public Law 87-793 in October 1962 was truly landmark legislation, in that it recognized the unfortunate and untenable economic position of those on the Civil Service Retirement rolls, by providing for a proportionate increase in annuities for those loyal and dedicated former employees of the Government as the cost-of-living indexes rise. This does help to alleviate the stress placed upon them by the continuing upward spiral in the cost of the necessities of life.

Unfortunately, this legislation—great as it was—did not completely serve its purpose, since the increases were payable prospectively, rather than retroactively. This legislation was later amended to include an additional percentage point which partially corrected this inequity.

Under existing law, only those on the retirement rolls on the date the increase becomes effective receive the advantages of such increases.

The proposal now before your Committee, Mr. Chairman, would extend the benefits to those who, for a variety of reasons, either do not qualify for retirement benefits as of the specified date, or who for personal reasons elect not to retire at that particular time.

This legislation would provide that these benefits would be payable to those who retire at a date subsequent to the now provided for "cut-off" date, but before the cost-of-living indicators rise sufficiently so as to trigger further increases.

This legislation would provide a boon to many of our members, in that it would allow them a greater freedom of choice as to their retirement plans.

It would also serve as a benefit to the sound operation of the Government in that it would eliminate the mass retirement of employees who desire to take advantage of these benefits and would allow a more orderly progression of those eligible for retirement.

Mr. Chairman, we thank you for the opportunity of appearing in support of this legislation today, and hope that your committee will take immediate and favorable action on this bill.

STATEMENT OF CLAUDE E. OLMSTEAD, PRESIDENT, NATIONAL RURAL LETTER
CARRIERS' ASSOCIATION

The National Rural Letter Carriers' Association, an organization representing approximately 62,000 regular, retired and substitute rural letter carriers, appreciates this opportunity of presenting our views on H.R. 7027, a bill to liberalize eligibility for cost-of-living increases in Civil Service retirement annuities.

We are grateful to Chairman Dulski, Congressmen Waldie, Corbett, and Scott for introducing this legislation and, especially, to Congressman Waldie for scheduling this hearing and allowing us to voice our support of this very important issue.

Public Law 87-793, enacted October 1962 contained a provision which granted an annual automatic cost-of-living adjustment of annuities when the average of the Consumer Price Index increased by 3% or more. The original law provided an annual review of the Consumer Price Index each January and adjustment of annuities in April, if necessary.

In September 1965, Public Law 89-205 provided an improvement in the automatic adjustment of annuities. As a result of this legislation, automatic increases of Civil Service annuities are now provided whenever the cost of living goes up by at least 3% over the Consumer Price Index for the month used as the base for the most recent cost-of-living annuity increase and stays up by at least 3% for three consecutive months. The effective date of such increase is the first day of the third month which begins after the C.P.I. has had a rise of at least 3% for three consecutive months.

These periodic cost-of-living adjustments in annuities have caused employees to make applications for retirement at certain periods of the year to qualify for full benefits of the cost-of-living increases. This has caused a serious administrative problem for the Civil Service Commission, as I am sure they will testify. It creates an enormous work load at the Civil Service Commission after each of these periods when there are large numbers of retirements.

Our concern for this aspect of the problem is that the adjudication of retirement applications is unavoidably delayed by this tremendous work load. Months go by until all applications are finally processed. In the meantime, the employee is anxiously awaiting the outcome of his retirement application and the receipt of his first annuity check.

We wish to commend the Civil Service Commission in making every effort to expedite the annuity payments. Special payments are oftentimes made by the Commission to the annuitant, pending final adjudication of the retirement application. In spite of the Commission's herculean efforts to expedite the payments, the annuitant oftentimes becomes impatient with the long delays. At this point, we receive many telephone calls and letters of inquiry requesting assistance. The Civil Service Commission is always most cooperative in responding to our inquiries on behalf of our members, and, I'm sure, are doing everything possible to cope with a difficult situation.

The provisions of H.R. 7027 would alleviate this serious problem by providing that an annuity, which commences after the effective date of a cost-of-living increase not be less than the annuity which would have been payable had the employee retired immediately prior to the effective date of the last cost-of-living increase. This would eliminate the necessity of an employee retiring at a given date to qualify for the benefits of the cost-of-living increase. This would automatically level-out the retirement applications at the Civil Service Commission. There would no longer be an economic advantage for the employee to retire at a given date. It should result in a more efficient handling of retirement applications by the Civil Service Commission, as well as causing a reduction in administrative costs.

Presently, there is an apparent inequity for the employee who happens to retire after a cost-of-living increase. It is now necessary to continue working for a period of from three to nine months for an employee to again achieve the amount of annuity to which he would have been entitled if he had retired prior to the cost-of-living increase. Passage of this bill, would remove this apparent inequity. It would permit employees to retire at any time without loss of the benefit which the cost-of-living increase provides.

It will have the further advantage of allowing the employee to schedule his retirement according to his own wishes and desires and not be required to retire at a specific date in order to obtain maximum benefit. We believe this will be a privilege which this legislation will restore to all employees and which will be greatly appreciated by them. Passage of this legislation will permit employees to schedule the date of their retirement and submit their applications further in advance; and by virtue of this action, they will have their claims adjudicated and initial payment will be available at a much earlier date. As a result, the employee who properly schedules his retirement and files a timely application can then expect only a reasonable period of time to elapse between his last salary payment and his first annuity payment. This ideal situation would certainly be a vast improvement over present conditions.

Mr. Chairman and members of the subcommittee, we heartily approve this very important and logical improvement in the Civil Service Retirement Law and highly recommend your approval and eventual enactment of H.R. 7027.

