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ITTEE ON RETIREMENT, INSURANCE, AND HEALTH BENEFITS

OF THE

COMMITTEE ON OFFICE AND CIVIL SERVICE USE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

H.R. 7805, H.R. 7806, H.R. 7807, and Related Bills

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CONTENTS

Statement of—	Page
Pepper, Hon. Claude, a Representative in Congress from the State of Florida-----	1
Walters, Thomas G., president, National Association of Retired Federal Employees-----	6

CONTENTS

Statement of—	
Representative Claude A. Boucher in Congress from the State of	
Florida	
Watters, Thomas G., President, National Association of United Fed-	
eral Employees	

PROBLEMS OF FEDERAL RETIREES

WEDNESDAY, JUNE 23, 1971

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

The subcommittee met at 9:45 a.m. in room 345, Cannon House Office Building, Hon. Jerome R. Waldie (chairman of the subcommittee) presiding.

Mr. WALDIE. We are having trouble with our speaker system. Can you hear well enough in the back of the room?

I'm sorry we can't do any better than that. We have someone coming over to fix the speaker system, but in the meantime, Senator Pepper, who is now a Member of the House of Representatives from Florida, has a very important conference that he has to attend involving drugs. He is also the chairman of the House Select Crime Committee, one of whose primary interests has been the control of the drug traffic in this country.

He is not able to wait any longer, and has asked for particular permission to address this group prior to his leaving, and the committee has extended the Senator that permission.

I am pleased to introduce a very, very close and dear friend of mine, and a man for whom I have the most tremendous respect. He is practically a legend in my political mind.

I have admired him for many, many years, and I am pleased to serve under him in his Crime Committee.

The Senator wanted to testify on the measures before us today, and has asked particular permission to address you at this moment. Senator Pepper?

STATEMENT OF HON. CLAUDE PEPPER, MEMBER OF CONGRESS FROM THE STATE OF FLORIDA

Mr. PEPPER. Mr. Chairman, and members of this distinguished subcommittee, I appreciate the privilege of saying three things, before I have to depart.

First, to share with you and your distinguished committee the inspiration of being here with this great multitude of dedicated Americans who have so long and so faithfully served their country.

Second, to congratulate you, as the chairman, and the members of this subcommittee for your own concern about the problems of the retirees of our Government, and the consideration that I know that you, from your distinguished record, and the eminent members of

your subcommittee are going to give to the program to be presented to your distinguished committee today.

And third, to say that I am introducing in the House of Representatives today each one of the five bills which are part of this program.

Thank you.

Mr. WALDIE. I am sorry for all the confusion, but we haven't yet been able to get the public address system into operation. Apparently we are having more difficulties than we had anticipated.

But in the meantime, a member of the subcommittee, and of the full committee, from New York, Mr. Frank Brasco, also has to attend another meeting, again involving drugs, and you can imagine the concern of Congress on this subject is extremely widespread at the moment.

Frank will be back, but he has to leave at this moment and had hoped to await in the proper order the opportunity to say some remarks, prior to leaving, but he simply cannot wait any longer.

I am pleased to introduce a very, very good member of this subcommittee, and of the entire committee, Frank Brasco from New York. Frank?

Mr. BRASCO. I won't take up much of your time, but I did want to, before I leave, at least echo the sentiments of Senator Pepper, who preceded me.

I think that all of us here are aware of the contribution all of you have made to this great country of ours, and we are also aware of the fact that you are having difficulty in your retired life, and because we are aware of both of these things, the contributions and the difficulties, I can assure you that I will join with all of my colleagues to do everything possible in connection with the legislation here before us, to improve your lot in your retired life.

I must apologize for having to run, but I am a member of the Select Committee on Crime, along with Claude Pepper, who is the chairman, and by the way, Jerry Waldie is a member of that committee too. We are having a narcotics hearing this morning, and the State director for narcotic rehabilitation of New York State, my State, is the first witness and I think it is important that I be there.

I will try to come back as soon as I possibly can. In the meantime, you know that I am with you. Thank you, and God bless.

Mr. WALDIE. A suggestion was made by a member of our subcommittee, Mr. Scott, from Virginia, that I think is a good one.

Since we can't do anything until the public address system is repaired, we had intended each member of the subcommittee would make a few introductory remarks prior to calling upon our witnesses, and I think we could probably accomplish at least that, if you can hear in the back.

Can you hear in the back?

Someone in the front of the room said, I can hear and I'll trade places with those in the back.

Well, we will try it anyway, and I caution each member of the subcommittee, when they make their remarks, to speak as loudly as possible so we can get this portion of the subcommittee proceedings out of the way.

In that regard, it is my privilege to call upon the chairman of the entire Post Office and Civil Service Committee under whose jurisdiction this subcommittee operates, a chairman who is universally re-

spected by the members of this committee, and as the chairman of this subcommittee, I can tell you that I share that affection and that respect for Chairman Ted Dulski from New York. Chairman Dulski.

[Applause.]

Mr. DULSKI. Thank you very much, Mr. Chairman; my colleagues, Tom Walters, the president of your organization, officers, ladies and gentlemen.

As a politician, I always like to hear applause prior to a speech, because one never knows what the reaction will be at its conclusion.

My dear friends, I think my two colleagues preceding me have voiced an opinion I truly share that your organization has played a vital role in many pieces of legislation that have been considered by this committee.

Well, I am very proud that I chair this committee of the House of Representatives which has spearheaded great legislation, such as you remember last year, the 50-percent health benefits bill. Unfortunately, the other body chopped it down to 40 but I hope we can bring it back to 50 this year.

You remember that old cliché, that the road to hell is paved with good intentions. We intend to show more than intentions. After this subcommittee makes its decision, prompt action will be taken by the full committee for final action on the floor of the House.

I again congratulate you on the representation you have here today. You are fortunate to have Mr. Waldie, as chairman of this subcommittee for he has great interest in senior citizens. I am grateful for that especially because after 24 years of service, I expect to join your organization very shortly.

In conclusion, as I said previously on many occasions, no man could be prouder than I, being a first generation American of Polish extraction, to have the opportunity to serve in the Congress of the United States. It just shows that America is a great country. You have helped immensely in making this greatness possible.

Again, thank you, and have a pleasant day.

Mr. WALDIE. Thank you, Mr. Chairman.

The subcommittee is now in session. Today the Subcommittee on Retirement, Insurance and Health Benefits is meeting to hear firsthand the problems facing those citizens who have faithfully served their country in the Federal service.

I am delighted to see the active interest in legislation designed to correct the problems as evidenced by the number of persons in attendance today.

Our subcommittee presently has some 100 retirement-related bills pending before it. While it would be impossible to hear all these bills, I am hopeful that today we on the subcommittee will become better acquainted with the nature of the problems facing Federal retirees and their dependents.

I am also hopeful that following this hearing, the subcommittee will be better directed towards knowing of the priorities of the annuitants and will then act to pass legislation that will hopefully meet those needs.

Before we hear our first witness, I would like to offer the best wishes of the subcommittee and myself to the National Association of Retired Federal Employees and to the members of that organization who are in attendance here today on the 50th anniversary of the Association.

I would be remiss if I did not tell you in what high respect and esteem Tom Walters is held by Members of the Congress, all the Members of Congress, and the members of this subcommittee, and the full committee.

We are delighted that Tom is here with your group, representing the interests that you are espousing to this subcommittee.

Prior to hearing from Tom, it is my privilege and my pleasure to introduce a new member of the Post Office and Civil Service Committee, and a new member of this subcommittee, a freshman Congressman who already has contributed a great deal toward the effectiveness of this subcommittee, and who has impressed all the members of the subcommittee with his ability, with his diligence, and with his compassion and understanding.

I call on Mr. Hillis of Indiana for some remarks prior to our witness. Mr. Hillis?

[Applause.]

Mr. HILLIS. Thank you very much, Mr. Chairman, Chairman Dulski.

I, too, enjoyed the applause beforehand; as the chairman said, you never know how it will turn out afterward.

But to me it's a great privilege not only to serve in the Congress, but to have an opportunity to serve as a member of the Post Office and Civil Service Committee, and more importantly, this Subcommittee on Retirement, Insurance, and Health Benefits.

As a freshman, a newcomer, I realize I have a great deal to learn, not only in all areas of Government, but particularly in the areas that affect the committee work, and particularly this subcommittee.

I have great interest in the problems that concern you. I know of your great past service to this country and to our Government. I want to learn more about your problems, and more importantly, learn how to help you solve some of these problems.

I look forward to working together with you in the future. I certainly most enjoyed being with you at the dinner last night.

Thank you very much.

Mr. WALDIE. The next member of the subcommittee is a member who has been in Congress for a number of years and during those years served on the Post Office and Civil Service Committee, who, along with one other member of this committee, probably represents the most public employees, Federal employees, of any single Member of Congress, and who has evinced the constructive and dedicated interest in all their problems and I am pleased to present to you Congressman William Scott of the State of Virginia.

Mr. SCOTT. Thank you, Mr. Chairman. Let me assure the members that are here today that I am interested in the welfare of the retiree as well as of the still-active Government employee. The chairman of our full committee, Mr. Dulski, said that he might soon join you. I am in my 31st year of Government service. I don't think we have many Members of Congress who have served the Federal Government this long.

I want to be sure that because of a possible conflict of interest—thinking of my own personal retirement—that I don't bend over backwards in this respect.

But I have gotten to know your president, Tom Walters. I think highly of him and regard him as a personal friend.

I noticed just a moment ago that the gentleman who drove my campaign bus during the last election, Dan Morland, from Virginia, came in. And I have seen a number of other friends here.

You can be assured this member will give your legislative program sympathetic attention. Thank you very much.

Mr. WALDIE. The next member of our committee is the second member on the committee representing perhaps the largest number of Federal employees of any of the Members of Congress, and that is a former FBI agent, a Member of Congress for, I believe, now on his second term, is that right, Larry?

A man who has brought a great deal of interest and a great deal of dedication and a great deal of understanding to the problems of Federal employees. And a man on whom many of us in this committee deeply rely, along with Bill Scott, as having the closest contact with Federal employees.

I am pleased to present to you, Congressman Lawrence Hogan of the State of Maryland.

Mr. HOGAN. Thank you very much, Mr. Chairman; and thank you, ladies and gentlemen.

It is a very impressive sight to see so many of you here this morning in connection with the legislative conference, and I want to concur in the commendation of the staff of the National Association of Retired Federal Employees. I assure you that they are representing you well on the Hill. They are always available to consult with us, to answer our questions, to give us valuable insights, and representing you, to bring your point of view to bear on legislation we are considering. And as Bill Scott, I am very grateful. I know a number of you who did assist in my campaigns and I appreciate that.

And I also appreciate those of you who carry on a regular correspondence with me, giving me your advice not only on legislation affecting retired Federal employees, but the whole spectrum of legislation which we are called upon to vote upon up here.

I very much appreciate your letters, your counsel, your suggestions and even your complaints.

So it is a real pleasure to have you here with us. I assure you that this subcommittee, and the entire committee under Chairman Dulski, is very, very much attuned to the needs of Federal employees and retired Federal employees. And it is our feeling, I think most of us on this committee, that rather than have the Federal Government constantly playing catch-up football with private industry and other retirement plans, we think the Federal Government ought to be the leader, to show way for industry and other retirement plans.

Thank you very much.

Mr. WALDIE. Other members of the subcommittee have not as yet arrived. As I am certain you, having been in the Federal Government, can understand, the demands of this position in the Federal Government are quite extensive, and they are involved in other hearings, other requirements of office, and will, I am quite certain, however, be here prior to the conclusion of the hearings.

May I just say that in conclusion of the opening statements of the members of the committee, that I share in all the views that have been expressed to you by the preceding members of the full committee and of the subcommittee.

It would occur to me that the primary objective we are seeking in terms of retired Federal employees is to permit you, in the years after your active employment, to live in dignity, and to live in a position that you feel that you are being adequately recompensed for the sacrifices you made during your active employment life.

That is an objective with which I would find it most difficult to disagree, and I am quite certain that you will find the members of this subcommittee intensely interested in obtaining that objective for you.

With those final remarks, let me introduce the first witness before this subcommittee, Mr. Thomas Walters, who quite obviously in this group he needs no introduction. He is President of the National Association of Retired Federal Employees, accompanied by Mr. Clarence Tarr, vice president, and Arthur Sparks, director of field operations.

Tom, will you proceed?

[Applause.]

STATEMENT OF THOMAS G. WALTERS, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

Mr. WALTERS. Mr. Chairman and Chairman Dulski. I am not a politician, and I wasn't expecting that, but I appreciate it.

Mr. Chairman, and members of the subcommittee, I am also accompanied this morning by my administrative assistance, Miss Judy Park, and our national secretary, Mrs. Davis, and our national treasurer, Vincent G. Walkendifer.

And by members of the executive board, and they come from States such as Arizona, Florida, Iowa, Ohio, Rhode Island, Texas, Virginia, and Washington.

Also national officers who come from such States as Georgia, Illinois, Maryland, Pennsylvania—which Miss Park calls her home State.

Our association was organized in 1921 and this year, 1971, we are celebrating our 50th anniversary. We have more than 148,000 members with some 1,100 chapters throughout the 50 States, the Canal Zone, Puerto Rico, and the Philippines.

I might add, Mr. Chairman, that I believe all the States are represented, with the exception of Hawaii, and we have delegates here from Puerto Rico, Canal Zone, and so far we don't have anyone here from the Philippines.

But we do have more than a thousand people here from all sections of the country, most of whom are paying their own expenses. We operate on somewhat of a shoe string, financially. Our dues are only \$4 per annum, and 50 cents of this is returned to the States for their expenses and operations, along with the executive board.

So you see, we who make up this great organization do a lot of things for the love and admiration and the feeling that we have for those members who are less fortunate than we.

Mr. Chairman, and members of the subcommittee, NARFE is not only celebrating its 50th anniversary this week, but we are also in the midst of our second national legislative rally and a meeting of our executive committee. I might add, Mr. chairman, that we have a goodly number of delegates and a member of our executive committee from your home State of California. And I think we all crowded into

your office this morning, so I think you know how many are here from California.

Three of our association's primary legislative goals have been assigned to the House and Senate Committees on Post Office and Civil Service, and since they deal with retiree benefits and health insurance, they come under the jurisdiction of this subcommittee.

We are all most grateful, Mr. Chairman, for your support of our legislative aims by introducing them in the House of Representatives, and especially for calling these hearings to consider the merits and necessity for enactment of this legislation which is so important to the Federal retirees.

We are also thankful and appreciate the members of this committee, as well as the chairman of this committee, introducing and co-sponsoring legislation that has for its purpose to make life a little better for those of us who have retired, and the survivors, from this great country of ours.

More Members of the 92d Congress have sponsored legislation affecting the welfare of our membership than has any other Congress, and many of these sponsors are members of this subcommittee and the full Committee on Post Office and Civil Service. We deeply appreciate the effort by all our sponsors as it indicates widespread interest and friendship, and support of our legislative program in both the House and Senate.

At our national convention last year in Buffalo, N.Y., in the home district of our chairman of this great committee—I might add that he was general chairman of the convention committee in Buffalo and he and his people in Buffalo put on a most wonderful convention that was enjoyed by those who were privileged to attend—the delegates voted to advocate a general increase in civil service annuities as the paramount legislative aim for the 92d Congress.

Also of great interest to our membership is a reevaluation and liberalization of the health benefits programs, and the restoration of full annuity to retirees who have lost their designated survivor beneficiaries and have not remarried.

The Senate Committee on Aging, along with various other organizations and groups concerned with the aged and aging, has identified the main problem facing the retired and elderly as being inadequate income.

Our own national headquarters mail certainly backs up this theory, and I would therefore like to touch first upon the need for a graduated annuity increase for civil service annuitants and survivors.

Several types of annuity increase bills have been introduced, but the most prevalent one provides an increase for annuitants who retired prior to October 20, 1969, and their survivors, on the following schedule:

Thirteen percent on yearly amounts up to \$3,600; 9 percent on amounts between \$3,600 and \$4,800; 7 percent on amounts between \$4,800 and \$6,000; and 5 percent on amounts in excess of \$6,000.

The main objective of this legislation is to provide the greatest percentage increase to those with the present lowest annuities. The purpose of the October 20, 1969, cutoff date, is to somewhat make up for the many retirement computation liberalizations and higher salaries which benefited those retiring after October 20, 1969, but which were never made retroactive to the earlier retirees.

Though much publicity is often given to the fact that Federal retirees receive good retirement benefits and are riding on a bandwagon in comparison to other retirees, statistics prove that this is not really true. You must keep in mind, Mr. Chairman, that many of these annuitants retired a number of years ago when salaries were much lower and the retirement computation formula was much less liberal than it is today, and the annuities they receive from a career of Federal Service simply do not provide them with adequate incomes to maintain a decent standard of living in today's inflationary economy.

The latest statistics available to us show that of an approximate 900,000 civil service retirees and their survivors, some 273,000 receive less than \$100 per month.

I repeat, some 273,000 receive less than \$100 per month. I'd like to pause here, Mr. Chairman. Here is a bunch of letters from people with 30 or more years of service that are receiving less than \$100 a month, both annuitants and survivors.

While I am speaking of letters, we have some 14,000 here on the table, and other baskets on the corners, that come from our members who are annuitants, or their survivors, who had more than 15 years service and who are receiving less than \$350 per month. And we are continuing to receive those letters.

They are all authentic, all signed. We have told our people that their names would not be publicized, but these letters are all available to your staff, Mr. Chairman, if they would like to browse through them. But they'd better bring some Alka Seltzer along with them if they read them, because they are going to need it.

More than 511,000 receive less than \$200 per month; and 698,000, more than two-thirds, receive less than \$300 per month. These figures show gross annuities, and do not take into account deductions for health benefits, medicare, et cetera.

In quoting these statistics, in the past we have often been confronted with the argument that the majority of these low-annuity retirees were "short-term" Federal employees, who only spent a few years of their working careers in Federal service, and therefore, it would be only natural that their annuities would fall into a low-income bracket.

We have never agreed that this theory was fully correct, but were not able to determine from official records just how many of them were short-term employees. Therefore, about 3 months ago, we began encouraging our members with more than 15 years of service and monthly annuities of less than \$350, to contact us as to their years of service and resulting annuities, with the understanding that we would not publicize their names.

Since requesting this information from the membership, we have received more than 13,500 letters on the subject, and I have with me today photostatic copies of about 150 of these letters.

I would like to leave these copies with you—that is, the 150 photostatic copies—so that members of the subcommittee, the full committee, and the committee staff, can review them for firsthand knowledge of the financial plight some of our Federal retirees find themselves in through no fault of their own.

I assure you that all of these letters are authentic and signed by civil service annuitants. The entire file is available in my office and could be made available to this subcommittee at any time.

With your permission, I would like to mention two or three. One is from Delaware Beach, Fla., where the writer, a survivor, is a widow and her husband worked 47 years in the Post Office Department in Bristol, Pa., and her annuity today is \$92 a month.

Here is one from a dear lady, 82 years young—or rather 87 years young. She is nearly blind—"I get \$100 annuity a month."

Now these are people that make up this great society of ours, and in my opinion had nothing whatsoever to do with the tremendous high cost of living that we have upon us today.

Here is a card from West Virginia where the person served as postmaster for 32 years and now receives \$72.50 a month. And he was one of those unfortunate people who figured they couldn't afford to take a reduction, so at his death, under the present law, his wife will not receive any annuity whatsoever.

The exhibit of letters which we have with us today has been broken down into categories of years of service and resulting annuities. Included in this exhibit—the 150 I have with me—we have—

Mr. WALDIE. We are still having trouble with the microphones. I wonder if you would come up on the podium and testify from here, and then the audience can hear you.

Mr. WALTERS. I've always wanted to sit up here. I have been informed that I won't be put on the payroll just because I am sitting up here in this chair. But be that as it may, I am delighted to be here and to continue to carry on.

Included in this exhibit we have 13 members with 14 to 19 years' service receiving less than \$100 per month, ranging from \$19 for 14 years, through \$52 for 19 years, and \$99.20 for a 15-year annuitant.

In the 20 to 25 year category, we show 15 members receiving less than \$100—now that is not from the 14,000 letters, Mr. Chairman, that is from this 150 letters that I made reference to earlier—with a 23 year retiree receiving \$45 per month. Even in the 25 to 30 year group, we find four members reporting annuities of less than \$100 per month; one such member receiving \$75 for 27 years' service. We also have a letter from a 37 year annuitant who receives \$78 per month.

Mr. Chairman, I don't believe anyone will contest that 40 years of Federal service is not short term, and in this category we have numerous members receiving less than \$300 per month.

One retiree reports a \$209 annuity based on 45 years of service, and one with 54 years' service receives a mere \$292 monthly annuity. One couple with more than 50 years of service between them receives less than \$250 per month.

Among the survivor annuitants we have heard from, we have exhibits of \$92 based on 39 years' service, \$74 on 38 years, \$52 on 25 years, and \$27.50 on 15 years of service. Letters on hand, copies of which we are making available, attest to the above statements.

Though Federal retirees do receive periodic cost-of-living increases, these increases have no equalizing value in helping low-income annuitants to meet day-to-day living costs, as a 4-percent increase on a \$100 per month annuity provides no substantial gain in buying power.

What we need, Mr. Chairman, is a substantial increase in these low annuities, so that the cost-of-living increases would have a somewhat more realistic base, thereby providing the financial relief intended.

I should like to suggest at this time, that Congress consider setting a minimum civil service annuity, along the lines provided in many

of the Social Security bills that are now before the Congress—and fortunately that passed the House yesterday—granting all annuitants and survivors with more than 15 years of service at least \$100 per month for an individual, and \$200 per month for a couple.

I realize as well as anyone else, Mr. Chairman, that, there is a cost factor involved here, but there is also the factor of human survival and dignity involved. These retirees are not asking for, and do not want, mere welfare handouts, but they did spend their working years in the service of the Federal Government—years ago, when salaries were much lower and the working hours much longer.

The sincere dedication and patriotism of the vast majority of these annuitants cannot be questioned, and they certainly should be able to spend their last years free from poverty.

It is my opinion that these annuitants and survivors who are suffering the most financially had the least to do with today's inflation. In today's rapidly changing society, we cannot brush this problem aside by simply saying these senior citizens are receiving what they were promised when hired by the Federal Government some 50 or 60 years ago, any more than we can fight poverty by saying you used to be able to buy a loaf of bread for a nickel.

I cannot stress strongly enough to this subcommittee, and the entire Congress, that the real and basic need of today's elderly retirees is a substantial increase in annuities.

NARFE will cooperate in any way, Mr. Chairman, to see equitable legislation enacted to provide these former Government employees financial relief.

For the time being, I shall leave the subject of annuities, and move to a subject which my mail indicates is the second most important item of concern to our membership, which comes under the jurisdiction of this subcommittee. That is the reevaluation and liberalization of the two health benefits programs affecting Federal retirees and survivors.

In 1959, after several years' consideration, Congress enacted the Federal Employees Health Benefits Act, Public Law 86-382. This hospitalization and medical program provided coverage in numerous plans for active employees and those retiring after July 1, 1960.

The coverage provided under these plans at that time gave decent coverage for protection during illnesses. Then, 1 year later in 1960, Congress enacted the Retired Federal Employees Health Benefits Act, Public Law 86-724, to provide health insurance coverage for those former employees who retired prior to July 1, 1960 and were therefore not eligible to participate in the more liberal Federal employees health benefits plans.

At the time of enactment, retirees were given the option to enroll under the Government's uniform plan, which included basic and/or major medical coverage, and was administered by Aetna; or enroll in one of a number of other insurance plans designated as "qualified carriers" by the Civil Service Commission, receiving a \$3 monthly premium contribution from the Government per individual.

Since the inception of the retired program, the Government contribution has been increased to \$3.50 per individual, and just last year, part B, the "medical portion" of medicare was made a "qualified carrier," but the coverage available under the retired Federal employees health benefits program has never been as adequate as that under the Federal employees health benefits program.

The best coverage ever available was through the uniform plan's combined basic and major medical coverage, but shortly after 1961 the major medical part of the uniform plan was closed and is no longer available to enrollees.

Under the law, by a stroke of the pen, the Civil Service Commission could increase the monthly contribution from the present \$3.50 to \$4 per month. I would urge this subcommittee to strongly recommend a much larger contribution for these older retirees and insist that the major medical portion of the uniform plan be reopened for enrollment.

According to Civil Service Commission reports, the uniform plan has had good financial ratings, and I see no reason why the major medical portion could not again be made available. It is argued that annuitants under the retired Federal employees health benefits program are also eligible for medicare coverage, but this is true only if they attain age 65 before January 1, 1968, along with retiring before July 1, 1960.

Like everyone else, even if eligible for both portions, they must pay the current rate for the medical portion (part B) which is ever increasing in cost.

These elderly citizens simply do not have the benefit of adequate health and hospitalization protection, so vital to them in their later years. According to figures released by the Social Security Statistical Department, in fiscal year 1970, the average annual medical bill for a person 65 or older amounted to \$791, six times that for youth, and three times that of individuals in the 19 to 65 age bracket.

Compared with fiscal year 1969, the elderly's health bills increased by approximately 14 percent. Despite medicare and medicaid, the average person still has to pay \$226 in out-of-pocket expenses for his medical bills. For persons under 65, out-of-pocket expenditures averaged about \$100 per year, only two-fifths that for an aged individual older Americans represent about 10 percent of our total population, but account for 27 percent of the personal health care.

Mr. Chairman, at this point I would like to offer our thanks and congratulations to you and the members of the subcommittee and your staff for the hearings and the study that you have undertaken on the whole question of health benefits and I think there is a great future to what you and your committee and your staff have been attempting to do in this field during the past several months. And I trust that you will continue to plow deep and dig deeper into the ramification of the entire health benefits program.

In order to obtain the best possible coverage for the civil service annuitants, those who retired before or after July 1, 1960, I should like to strongly urge that this subcommittee recommend that the retired employees health benefits program be abolished—it has been in operation now for 10 years, and they are 10 years older than they were in 1960; there never has been new blood added; their expenses are more, their benefits generally speaking are less and their premiums are higher—and those presently covered by it be merged into the Federal employees health benefits program, which in turn should be liberalized with extended coverage and greater Government contribution, to more nearly meet today's complex and skyrocketing medical needs.

We have been attentive to this subcommittee's recent hearings on the administration and coverage of the Federal employees health benefits

program and should like to take this time to express to you our appreciation for your interest in this most important matter.

It is NARFE's position that benefits should be extended to provide more care for preventive and maintenance medical services, such as dental care, hearing aids, eyeglasses, and the services of optometrists and chiropractors.

We also think that more stress should be placed on coverage for convalescent care, and the services of practical and graduate nurses in the home, in an attempt to combat the spiraling cost of hospital room and board. We strongly advocate that the Government's contribution be increased from the present 40 percent to an eventual 75 percent of the premium cost.

It is not unusual to see headlines in most any newspaper calling our attention to the soaring hospital costs, and what can we do about them, and just a day or two ago, I noticed an article in the paper where it says that doctors' pay soars above living costs. And in that same article, it says, over the past 10 years, while prices in general rose 25 percent, doctors' bills rose 50 percent, and hospital bills rose 150 percent. It is not unusual to find a deluxe hospital room that is now \$100 per day, and you don't have to leave Washington, D.C. to find it.

Of course, the burning question today is not who is to blame for this, but what can we do to bring it to a halt, and to do something to help these people.

Mr. Chairman, the Federal retiree often encounters another problem with the Federal employees health benefits program, which I should like to bring to your attention.

Under the program, practically all enrollees are covered by a high option plan. If this enrollee also has medicare coverage, but cannot obtain medicare coverage for his spouse because of age or other reasons, he must maintain the self and family high option coverage in order to protect the spouse. However, for his own coverage, medicare is the prime carrier, so in many circumstances, the Federal employee plan is saving a great deal of money. This seems to me most unfair, and some conditions should be brought about to equalize this premium cost and the responsibility for paying claims.

I realize medicare is not under the jurisdiction of this subcommittee, Mr. Chairman, but it is my opinion that we need to give a lot of thought and action to this.

I don't think it is right for me, as an individual, to continue to pay high option coverage of \$30 and \$35 a month, plus the cost for medicare, and then for medicare to be the first prime carrier, and the other plans be permitted to save money.

Our association is also working diligently through the House Ways and Means Committee to have medicare benefits extended to include prescription drugs out-of-hospital, chiropractors' services, eye care and glasses, hearing aids, dental care, et cetera.

We are also putting forth our efforts to have the income tax laws amended to restore the provision allowing persons over age 65 to deduct all medical care expense. This one-time provision was deleted from the law in 1967.

A third item of great interest and concern to our membership is contained in legislation introduced by you, Mr. Chairman, and co-sponsored by a number of subcommittee members, allowing restoration of full annuity—when I refer to Mr. Chairman, I refer to the

chairman of the full committee that introduced this bill—allowing restoration of full annuity to retirees who have lost their designated survivor annuitants and are unable to designate a second survivor because they have not remarried.

We don't believe that this part of the bill will cost near as much this year as it would have cost last year, when it was connected with the so-called second spouse bill, because many of the people affected after the second spouse bill was enacted into law have remarried and I understand that more than 40,000 of these people have so notified the Civil Service Commission.

Under the present civil service retirement laws, an employee, at retirement, is given the option to designate a survivor annuitant and provide for this survivorship benefit by having a certain percentage of his annuity withheld monthly. At one time, the cost of this reduction was as much as 25 percent, though liberalizations in the law over the years have decreased the amount of this reduction for later retirees.

If the designated survivor predeceases the retiree, the retiree must continue to pay this reduction as long as he or she lives, and unless he or she remarries to provide a second spouse beneficiary, he is paying this reduction for the rest of his life without any derived benefit.

To my way of thinking, this continuation of the reduction, without any benefits, is a prime example of a gross inequity in the retirement law. Such a provision was part of the original "second spouse bill" before this committee in the 91st Congress, but it was deleted before final enactment of the bill.

I think that it is only right and just that full annuity be restored to these retirees who have lost their designated survivors, and if they eventually do marry or remarry, the reduction could once again commence.

There is another group of annuitants to whom I would like to call the subcommittee's attention at this time. These are the retirees who did not elect a survivor annuity at the time of retirement, because due to their low annuities they needed the entire amount for existence.

Most of these persons are the older retirees who retired years ago when annuities were much lower, and the necessary percentage reduction for survivor benefits much larger than today.

I would like to suggest that this situation could be corrected equitably by giving them a second opportunity to designate a survivor, provided they make this election within a given period of time, say from January through December 1972, or some such period.

I should also like to point out that under the Federal retirement system, a survivor receives about 55 percent of the retiree's annuity upon his death. This is not true under social security, where the survivor receives approximately 82.5 percent of the retiree's pension. Under social security, both the annuitant and survivor can receive checks during their lifetime.

Under our system, to receive the 55 percent, the survivor must wait until the spouse has passed on in order to be eligible to collect the survivor benefits.

It seems to me this should be corrected and I believe before the Congress adjourns that social security survivors may be receiving or will possibly be receiving 100 percent of the annuitant's check during that time.

Another injustice involving survivor annuitants which I believe should be corrected concerns a provision contained in Public Law 91-93, which makes it possible for survivors to continue receiving their survivor annuities upon remarriage, if the date of remarriage was on or after July 18, 1966 and the survivor had attained age 60.

The inequity involved here is the cessation of a survivor annuity upon remarriage for anyone who remarried prior to the July 18, 1966 date. Why should these survivors be discriminated against simply because they remarried prior to a certain date? We strongly advocate that the July 18, 1966 date be eliminated from title II, section 205 of Public Law 91-93, and we should also like to see that section amended to restore the survivor annuity to one who remarried prior to age 60, when age 60 is attained.

There is another group of people I think need some special attention. Disability retirees. I received a letter yesterday from Westwood, Mass., from one of our long-time friends and coworkers, George M. Ellis. And he had just visited a retiree in his community with only 52 years of age, and was retired under total disability with about 25 years of service, with three children of school age. And there are other similar circumstances.

He feels, and I agree, that the retirement law should have some provision whereby a Government employee who has to be separated for total disability would receive coverage for his children, especially under school age or with some cutoff limit. And there are not too many people in that category, but one is too many in our opinion, and I trust that this committee will take a long, hard look at this disability retirement provision in the law, and see if we can't find some way to liberalize it and to eliminate some of these inequities.

Because if a person is sick, they have enough to worry about with their health condition, without having to be burdened and worry about their financial situation.

Mr. Chairman, and members of the committee, these items which I have covered this morning are some of the most glaring inequities in the civil service retirement law, which our organization believes should be corrected during the 92d Congress. I am sure you realize that because of age, thousands of annuitants and survivors who are alive today will not be here next year. And I might add, Mr. Chairman, that we have 400 to 600 deaths reported every month from our membership, and of course not nearly all of the deaths are reported.

So we must enroll approximately 1,000 members each month in order to stay even. But even with that handicap, our membership today is more than 20,000 greater than it was 3 years ago this month.

In our membership of close to 150,000, we are notified of from 300 to 500 deaths per month, so whatever we do to assist these annuitants and survivors should be done today, as tomorrow may be too late.

On behalf of our entire NARFE membership, and especially those who are gathered here in Washington today, I express to you, Mr. Chairman, and members of this subcommittee, our sincere thanks for this opportunity to present our story on the need for correcting legislation for civil service annuitants and survivors. We also extend our deep appreciation to your most efficient staff for the work they have done in preparation of today's hearing.

We shall be delighted to cooperate with your staff, Mr. Chairman, and the members of this subcommittee, and to attempt to answer any

questions that you or any member of your staff or the committee may have in mind.

Thank you again, Mr. Chairman.

Mr. WALDIE. Tom, I don't want to demote you from your elevated status on the committee, but we now have the microphone arranged so that you can retire back to the witness table.

Mr. WALTERS. Thank you sir, I enjoyed sitting up here with the elite.

Mr. WALDIE. In the meantime, we have two other members of our committee who have arrived and I would like to introduce them and perhaps they may care to say a word or two.

Let me caution them that we have no microphones at the committee table, so they will have to speak loudly. Mr. Chappell, a new member of this committee, as has been the case with every new member, is an extremely able and competent member of the committee. Mr. Chappell of Florida.

Mr. CHAPPELL. Mr. Chairman, I am delighted to see so many of the members of this very fine organization here today, and particularly those who have come up from the good State of Florida. Many of them from my own district. And it's good to see all my good friends again.

Let me say, Mr. Chairman, that I have enjoyed tremendously the remarks of Mr. Walters as he delivered this very fine statement. And I say to him and to you that I shall be pleased to work with this committee and with the Congress in trying to help eliminate and solve the problems about which he has spoken. And to dissolve some of the inequities which certainly have been adequately brought out by the gentleman who has just spoken to us.

Let me again congratulate all of you on your 50th anniversary, and what a pleasure it is that I should have the opportunity, and this committee, to share just a little bit of that with you today.

Thank you very much.

Mr. WALDIE. And the next member of the committee who has arrived during Mr. Walter's presentation is from the State of Texas, has been a member of the committee for several sessions of Congress, has contributed much to the committee, and I believe this is your first term on the subcommittee? Dick White of the State of Texas.

Mr. WHITE. Thank you very much, Mr. Chairman. It's nice to see so many Texans among the group.

I regret that I wasn't here at the beginning. I have been to a briefing and then also to a hearing of the Armed Services Committee.

I should mention that earlier this year we had a number of hearings in the Armed Services Committee on which I serve, on the subcommittee regarding annuity benefits for survivors and for retirees of the military, and in this committee I gained some insight into the problems and into the hardships of many of the retired.

We certainly intend to try to rectify those. We have introduced a bill to rectify those, and so I have double opportunity to rectify some of the inequities that have been mentioned by the previous witness in this particular bill. And so I think all of the committee is in accord with the problems that exist, and we do seek some objective rectification of these.

Thanks, Mr. Chairman, for the opportunity to speak.

Mr. WALDIE. Mr. Walters, as chairman of the committee, I want to extend my personal commendation to you for the tremendous amount

of information that was conveyed in your statement to the committee, and to your staff also for the obvious extensive preparation that went into putting together the information that you presented to us.

I would now open this committee hearing to questions, and trust that you or the members of your staff would respond.

Mr. WALTERS. We'll be delighted to attempt to.

Mr. WALDIE. In that regard, I call on Mr. Chappell of Florida for any questions he might have.

Mr. CHAPPELL. I am going to defer at the present moment. I want to thank the witness again for the enlightenment which he has given me on the problem, particularly as a new member of the committee. Perhaps as others interrogate, I might have a question at some later time, Mr. Chairman.

Mr. WALDIE. So that you understand the proceedings of the subcommittee, we first go to the majority side, and then to the minority side, and then back to the majority and then back to the minority.

We have what is known as a 5-minute rule. Every member has the opportunity to utilize 5 minutes to ask questions, and receive answers. And at the conclusion of the 5 minutes, his time expires and we move to the next member, and will perhaps be able to get back around to him.

Mr. Hillis?

Mr. HILLIS. Mr. Chairman, I have no questions at this time. I am very sorry that I had to miss part of your testimony, Mr. Walters. I congratulate you on your statement and I will study it and review it most carefully. And from what I have seen and what I did get to hear, I thought it to be most informative and helpful to me.

Mr. WALDIE. Mr. White?

Mr. WHITE. Mr. Walters, so that the committee can more judiciously legislate in this area, could you provide the committee with any kind of a graph or figures showing the level of income of retirees as it relates to the level of cost of living, how these costs-of-living increases have tried to keep pace, where they are deficient, the span of income of retirees, minimum, maximum and average income that retirees receive that have had governmental service, with a certain number of years?

Mr. WALTERS. We'll be delighted to work with the staff and attempt to furnish that, Congressman White. As I said earlier, we have some 14,000 letters here from our members who have served 15 or more years of service, and who are receiving less than \$350 per month. And this 150 excerpts that I am leaving with the staff, goes part way in answering the question that you have propounded, in giving the exact number of years of service plus the amount of annuity they are now receiving.

But we will try to bring this into agreement with the question that you have asked, and do our dead level best to provide that. And I am happy to be able to cooperate in attempting to do that. So we believe that we can furnish you with some real enlightening and perhaps startling information along that line.

Mr. WHITE. I had a cursory examination of your testimony—

Mr. WALTERS. We don't have any official record of years of service. We do have their word for the number of years of service, but we don't have an official record.

But we have attempted to catalog all of these letters and from the states from which they were mailed and post offices, so from this information I believe we can obtain enough statistics to give you some idea of what you are asking. We will do our dead level best.

Mr. WHITE. One other thought that came to my mind, in relation to the man who retires but at the time needs the money, and therefore does not take a survivor benefit program.

As you reach down in this legislation, you legislate so that, by an option, within a period of one year I think was suggested, that he then can opt to provide for survivor benefits. And we certainly want to give as many survivor benefits as possible so that widows, survivors, won't live in destitution.

But in fairness now, what do you suggest to equalize this man who say, 15 years later then goes into this program and the man who has been paying out and having it taken out of this annuity, into the program all this time, and then arrives at the same point. And he says, goodness me, all these years I have been paying money out and this man has been enjoying the benefits of this money all this time, and suddenly he gets the advantage of a survivors annuity program.

Mr. WALTERS. We'd be more than happy to see a penalty charged for this privilege. We think it is nothing but right that a person who retired, even though they had a low salary and low annuity, and as you say, have received their full annuity up to the present time, if they are given an opportunity to name a survivor, they should in our opinion pay a penalty and this could be done on an increased deduction by the month for a certain number of months. And with the equipment down at the Civil Service Commission, I don't believe that would be any difficult task.

Mr. WHITE. Of course, the problem then is that you may be placing him into greater poverty by reducing him below the regular income.

Mr. WALTERS. I think, in all fairness, Mr. White, we would have to penalize him some way, and then give him an opportunity to accept it, and if they couldn't buy, then it would be just one of those unfortunate affairs that couldn't be helped.

I just don't see how we could be Santa Claus and give them a Valentine at the same time. I think we have to penalize him somewhere.

Mr. WHITE. Now going further, two other questions I may ask if I still have time—I know that we can anticipate some witness coming before this committee and saying that there is a regular retirement program in which the prospective retiree pays during his working years.

Now what would be your answer to the charge that this kind of legislation will wreck the annuity program funding?

Mr. WALTERS. It won't wreck the funding of the Federal retirement system any more than it would wreck the social security or any other system.

Because people under social security today—and I am all for it, don't misunderstand me—but they are receiving more now than they did in 1938, 1939, 1940 when it started.

We are moving into a different society, doing many things today—and they are not paying any more in proportion into the fund—so I am sure that you are correct, in your anticipation of some witnesses who will approach it from that angle, but we are living in a different society.

Until last Congress, that was the first time in the history of this organization, which for 25 years had been attempting to get the second spouse bill, and the argument was just like you are anticipating on this. It was in the law when they retired. They knew if they died there would be no second spouse.

But we are living in a changing society, and I think we must move with that change, and I think the very example of the administration supporting the second spouse bill is the best indication that we are in a changed society. Ten years ago you would have been laughed out of court if you had tried to pass a second spouse bill.

Now every group that I know of is now protected under the second spouse bill except the group that you have been discussing, these people who retired way back yonder and didn't name a survivor. All other groups that we can think of have been covered, with the exception of that one group.

But you are correct. You will have that testimony, I am sure. But we are living in a different day, different age, and different society. A lot of people used to think that annuities shouldn't be increased because the Government was fulfilling the contract that they gave me in 1923 when I entered the service. Of course, that is not valid any more; that's about the best answer I can give you.

Mr. WALDIE. The time of the gentleman has expired. Mr. Scott of Virginia.

Mr. SCOTT. Thank you, Mr. Chairman. Mr. Walters, I would add my compliments for the information that is in your statement that you gave to us.

You referred to the health benefits and the desire to have the Government ultimately contribute up to 75 percent. You know, our subcommittee and the House did pass a 50-50—equal sharing provision. And then it went to conference with the Senate where, because of fear of the veto, it was reduced to 40 percent.

I am in favor of the 50 percent, the equal contribution. Whether we will be able to do anything about that this year, I don't know. But we can certainly try.

I appreciated your information about the plight of the low income annuitant because I frankly didn't know that there were people with that great length of service who were drawing such a small amount.

And I would be sympathetic, even though we don't want to turn the civil service retirement fund into a welfare program, to the idea of a \$100 minimum for anyone with 15 years of service, or \$200 for any couple.

I don't know just what this committee will be able to do, but I am sure that all members of the committee are sympathetic with the things that you have outlined.

Mr. Chairman, I would think that rather than having this witness or this organization furnish us with information about the number of years of service and the amounts of the annuities, that this information would be readily and easily available from the Civil Service Commission.

If we asked Mr. Ruddock, who is in charge of the retirement division, I believe that he would furnish it, and I would suggest that we ask the staff to obtain this information for us.

Mr. WALDIE. That is a good suggestion. The staff will be so requested.

Mr. WALTERS. Thank you.

Mr. SCOTT. Thank you again, Mr. Chairman. I have nothing further.

Mr. WALDIE. Chairman Dulski?

Mr. DULSKI. Thank you, Mr. Chairman. Tom, I just want to commend you on a very fine statement. I have no questions, but I would make this comment to the chairman of the subcommittee, that they have a great task ahead of them and I will do all that I can to aid and assist them in arriving at an equitable solution.

I would also like to commend the chairman and the subcommittee for calling this meeting so that we can start on the road to find out the inequities that have existed for so many years in this area so that they can be corrected sometime in this 92d Congress. Thank you very much.

Thank you, Mr. Chairman.

Mr. WALDIE. The Chair recognizes Mr. Hogan.

Mr. HOGAN. Thank you, Mr. Chairman. I, too, want to commend Mr. Walters on his excellent statement. I only really want to take issue with one comment he made.

I strongly disagree with one statement he made when he said that he wasn't a politician.

As you know, Mr. Walters, I am a co-sponsor of all three of the bills which you recommended we approve, so obviously I share your endorsement of those legislative proposals.

I think the fact that yesterday we liberalized the social security benefits cries out even louder for taking the same kind of steps to remedy the deficiencies in the current retirement system affecting Federal employees.

Now one question I would like to direct to you: some years ago the Congress responded to the problems that retired individuals have because of the rising cost of living by building into the system the cost-of-living provisions. But this really hasn't solved the problem, has it, Mr. Walters?

Mr. WALTERS. It surely has not. And especially for those people on the lower end of the totem pole.

Now I am sure that we all are familiar with the fact that cost-of-living figures are not slanted towards the older people. Medical care and other physical ailments are much higher, as I attempted to say this morning, for older people. And even if that cost is plowed into all the other ramifications of the cost of living, people in this senior group don't get a fair shake of the dice when the cost of living comes out.

And especially it is not too beneficial to people who receive a small annuity, and that is the people that we are attempting and feel we should shed crocodile tears for primarily, are the people who are living in what is commonly referred to as poverty.

If you are receiving an annuity of \$100 or \$150 a month and get a 4- or 5-percent increase, that doesn't get much more meat and bread or prescription drugs for these old people.

We appreciate the fact that they have getting the cost of living and others are now getting it, but I happened to be in a conference at the White House and it was freely discussed at this conference that cost of living doesn't eliminate the necessity of a periodic increase in social security or in this type of legislation.

So if the bill you passed yesterday gives an increase, I presume it contains this cost-of-living formula too.

Mr. HOGAN. But in addition, you are always waiting for the cost of living.

Mr. WALTERS. That's right. I realize that we must have some lapse of time, and this committee gave us an extra 1 percent to help pay for that.

But even with that, we are always several months behind when we get the cost of living.

Mr. HOGAN. Thank you, Mr. Walters. Mr. Chairman, I think it is deplorable that so many retired Government employees, as Tom Walters testified, are allowed to live at the poverty level, and I think it is a cruel lack of gratitude on the part of the Federal Government for the years of service these employees have rendered. I know the chairman shares my feeling in this regard, and that all of the other members of the subcommittee do as well. And, for our part, we will try to bring to the attention of our colleagues the crying need of these people to get the remedial legislation. Thank you, Mr. Chairman.

Mr. WALTERS. Thank you.

Mr. WALDIE. Mr. Walters, in that regard, do you have, by any chance, any statistics as to the numbers of annuitants that belong to your organization whose total income is represented by their annuity?

Mr. WALTERS. We don't have any accurate record. In hundreds and hundreds of these letters, they say that this is the only income that they have. And that's the best basis that we know of.

Another thing, in attending conventions and meetings—and I am sure this view could be substantiated by members of the executive board—the older annuitants and older survivors don't have any other income, because salaries were lower and they had no chance to accumulate anything, and therefore the vast majority, in my opinion, of people who are over 75 or 80 years of age, the annuity check is their sole income.

Mr. WALDIE. I would imagine that would be the case. I wonder if I might just simply try a general question to the audience.

Mr. WALTERS. Sure.

Mr. WALDIE. No, perhaps I'd better not.

Mr. WALTERS. Now this is the cream of the crop that you have here. These are the people who are active physically and mentally, and many of them are working part-time jobs now to supplement it.

But these really old people who are crippled and lame and sick, they are the ones that are suffering.

Mr. WALDIE. Let me just put the question this way, if I may. Will all of those who either know someone, or who, they themselves, find themselves in that position, who have as their sole income their annuity, raise their hands. [Show of hands.]

Mr. WALDIE. Thank you. I think that bears on the comment Mr. Hogan made, and made eloquently, that the first time this came to the committee's attention, a similar circumstance, maybe even a more deplorable circumstance, was the case of the postal employees who, while working for the Federal Government, were receiving, in the State of New York, less than the poverty level of that State, and were therefore entitled to welfare benefits on top of their salary.

I presume that in many of the instances where the sole income of the annuitant is represented by his annuity, that that person is also entitled to welfare benefits.

That does not seem to me to be right or proper, nor, equally important, very wise. When the Congress yesterday established as national policy—at least in the House of Representatives—the belief that no family of four should have an income below \$2,400, which was the beginning of what will ultimately be a much higher determination of poverty level, and I know of no family that could live on \$2,400—to suggest that Federal employees can live on annuities that are paid under the retirement system does not seem to me to be reasonable, and it is equally unbelievable to me to believe that this is only a supplement to their income, and that, because of the magnanimous salaries paid during the active years with the Federal Government, they therefore should have set aside great sums of money from which they could supplement their annuity, is an unrealistic principle, too.

I think Mr. Hogan touches upon a belief that I hope will continue to be held by the Congress.

One other question, Mr. Walters. The President has proposed a health program for the Nation. One portion of that health program provides that all prominent employers in the Nation shall, by 1976, pay 75 percent of the health policy, medical policy premium that all employers will be compelled by national policy to carry for their employees. That is his proposal to solve the health problems of the country.

It would seem to me that if the President is suggesting that by 1976 all private employers should be paying a minimum of 75 percent of the premium of all health benefits for their employees, that it would be incumbent upon the National Government to set the standard for the private sector of the economy, and for us to move toward that 75-percent objective much faster in the next 5 years.

I think it is fair to anticipate that this subcommittee will have before it, within a very few days, a bill that I will author and will seek to have other members of the subcommittee author or coauthor, proposing an increase in the contributions of the Federal Government toward employees' and retirees' health benefits that will attain the 75-percent level of contribution far sooner than the 5 years proposed by the President for all private employers.

Mr. WALTERS. Thank you.

Mr. WALDIE. We now have completed the first round of 5-minute questioning. We will start on the second round. Mr. Chappell?

Mr. CHAPPELL. Mr. Walters, what percentage of your people also draw social security? Do you have the figures on that?

Mr. WALTERS. Well, I don't suppose anybody in the world has an accurate figure. But in my opinion, it is not over 30 or 35 percent, maybe not that high, taking into account the entire spectrum of retirees and survivors.

The older the annuitant or the older the survivor, the less apt they are to have any social security.

Now some of the people who have retired in the last 10 years, say, who have worked, moonlighted a little on their regular jobs, do have social security.

But I think the percentage is very, very low, especially with a group of people that needs it the most. And I am sure that the group of people who are on the low annuities are smaller—in fact, most of them of that age group just simply never had an opportunity for social

security, because by 1937, when it became operative, they were getting too old for it.

So our records show, and this correspondence will show, and our meetings show, that the older the annuitant, the less possibility of having social security.

Mr. CHAPPELL. Mr. Chairman, I wonder if we might have a show of hands for those in the audience who also receive social security? Could we have a show of hands on that? [Show of hands.]

That pretty well bears up the percentages you are talking about.

Mr. WALTERS. Well, keep in mind, Mr. Chairman, that this is the group of people who retired in the later years, and there are not many of us here that retired 20 years ago.

Mr. WALDIE. Let me interrupt a moment here. So that the record is clear on both of the requests for show of hands, and recognizing your qualification as to this group, there still were a substantial majority, I think, of the group, in response to both questions, that raised their hands.

Mr. CHAPPELL. How many here are also retired from the military? Could we have a show of hands on that? Those who have retired from the military services. [Show of hands.] Only six or seven hands. Thank you, Mr. Chairman.

Mr. WALDIE. Mr. Hillis?

Mr. HILLIS. Thank you, Mr. Chairman. Mr. Walters, from what I know of your program, I am most sympathetic with it. First, increasing the civil service annuity, and liberalization of the Federal health benefits programs for your people and restoration of full annuity on death of the survivor.

I was wondering whether or not, for the record, you could give us any estimates of first-year costs of these bills or programs? Have you had a chance to look into this at all?

Mr. WALTERS. No, we have not. Of course, it depends on what type of bill that this committee reported out.

And as I said earlier, there are three or four versions of the bills. Some of these costing more than others.

But the one that seems to be the most popular is the one that was introduced by the chairman of this subcommittee, and cosponsored by many other members of the House and Senate.

Now, we do not have an estimated cost. To completely finance the bill the subcommittee chairman introduced, the cost would be, in dollars and cents, a tremendous amount.

But I thought about 20 years ago we stopped counting that up here, and we are just looking at the other side of it.

I am not trying to be facetious at all, but I think the need and the desire and the great need for this would greatly outweigh whatever it would cost. And of course, the group of people—our prime emphasis—the group of people we feel so concerned about is the people who are hungry and who are not able to buy their drugs and things of that nature.

Mr. HILLIS. I understand that, and I am not trying to focus undue attention in this area. However, as a freshman here, am I correct, this is a contributory program? And of course you want a sound financial program. Your people are paying into it too.

Mr. WALTERS. No, the retirees do not pay into the retirement fund. We paid as long as we worked. And this Congress, during the 91st

session, under the leadership of this committee, passed legislation which eventually will make the retirement fund safe and sound. So we are not in the predicament we were in a few years ago when we didn't have any legislation on the books.

But under the able leadership of the chairman of this committee, and the other members, we are now set on a position of improving and making it an official part of the financing of this program.

Mr. HILLIS. Well, you answered my questions, thank you.

Mr. WALDIE. Mr. White?

Mr. WHITE. I would like to cover two fields briefly. In the hearings with the military on survivor benefits and future payments, we discovered that a high percentage of the military officers at the time of their retirement, before retirement, elected not to have survivor benefits so they would have more money more immediately.

In fact, as I recall, we found that only 10 percent had survivor benefits. Now I understand under the Federal civil service program, those who retire have to also elect to have survivor benefits, and probably you are going to have something of the same result.

Now, would you agree that it might be better, fairer to the widows, if the civil service employee had to elect not to have survivor benefits?

Mr. WALTERS. I have advocated that for 10 years. When I was over to the Civil Service Commission, I tried my best to get them to recommend through the Budget Bureau that the law be amended to make it mandatory to name a survivor unless he elected not to do it. To turn it completely around from what it is today. Yes, sir, we support that 100 percent.

Mr. WHITE. Also, I'd like to have some information presented to the wife of the retiree, so that she would understand the implications.

Mr. WALTERS. We will support that, Mr. White, very strongly.

Mr. WALDIE. May I interrupt a moment? I see some people that are getting ready to leave. Let me suggest that after Mr. White has concluded, and the chairman has concluded, Mr. Dulski, I would then ask any members of the audience that desire to, to testify to the committee, to step forward and give your name and the testimony. So please keep that in mind.

Mr. WHITE. In glancing at the bill, H.R. 7805, which is the primary bill, on bringing the retirees up to a livable level, I notice that there is a cutoff date of October 20, 1969.

Now the question I have is this. I am not complaining about the past retirees, but by this bill, you are in essence placing a floor on what a retiree could make, despite the number of years that he served in the civil service—as long as he had his initial qualifying years.

Now what are you going to do about the retiree after October 20, 1969, who doesn't have a floor when he retires?

Won't you have a disparity between that man who may be making less than the figure provided for early retirees? What would you do to equalize these two? Should we do it in this bill?

Mr. WALTERS. Mr. White, there are several bills before this committee that provide the percentage coverage for everybody. It would be my guess—maybe I shouldn't even say this—that if this subcommittee brings out a recommendation, from the political element involved, you would almost of necessity be compelled to go completely across the board and give everybody something.

This was put in there, in October of 1969, to help ease the pain or the criticism of those who retired in August and September and July and June of 1969, that they didn't get this 3-year-high average and they didn't get to count their sick leave, and we received lots of mail, and I am sure this committee received mail, saying, why couldn't you have set this back and covered all of us, or covered me, I retired 6 months ahead of that.

This bill was intended to try to equalize that amount, because the fellow who retired in September, after the effective date of the 3 years, plus his sick leave, plus some other fringe benefits, received about 20 percent more annuity than the guy who retired under the 5-year-average.

Mr. WHITE. All right, now then, Mr. Walters, this opens up a new avenue. If I may suggest, all we are doing here is trying to legislate. We are friendly to the proposition.

But in considering what would happen in the future, how it would alter entirely the retirement program for those of low-income areas, perhaps it would accomplish what you are after—equity—if we went back and said to those who had retired before, that you can have your 3-year high plus adjustment for cost of living over that period of time.

Wouldn't that do exactly what you are driving at?

Mr. WALTERS. Not exactly. But it would make those people who retired in the last 10 years awfully happy. But the people who retired 15 or 20 years ago, their salaries went for 25 years, I think, or some such time, without any increase in pay.

So it wouldn't make any difference to those people whether you used the 5-year or 3-year average.

But all of us who retired in the last 10 years would always sing a song of praise to this committee.

Mr. WHITE. What I am thinking about is, 2 years from now, we will have another group come in that has retired since 1969, who will say, you have cut us off. Suppose a man makes \$2,400, as the minimum you can make up on the Hill now. I think it's \$2,400, as an illustration.

A man is making \$2,400 because he has a part-time, half-time job, or even \$3,000. When he retires after 5 years, with his 3-year high, he wouldn't even come close to the minimum you are talking about here.

Now should we set a minimum for everybody who retires, saying that from here on, regardless of what you make, you will get a minimum of a certain amount?

Mr. WALTERS. Well, that might be worked out. I didn't know there was anybody who worked on the Hill that got that small an amount, but I am not arguing that part of it.

We are advocating, Mr. White, that this \$100 a month be applicable to only full-time employees, and we are willing to forget those people under 15 years and call them part-time employees, or short-term employees, or whatever you want to.

Now there is plenty of precedent over the years for increasing certain people's annuities and not others. Way back, they had an increase up to the first \$2,400, and a smaller amount above that, and then they eliminated that, and at one time, Congress passed a law that you could either name your survivor or get \$25 a month, or some such figure.

So if you go back into the history of retirement law, there are all kinds of crossword puzzles that maybe weren't good, but they partially did the job at that time.

So whatever we do today, 10 years from now it may need changing.

Mr. WHITE. One more, with the indulgence of the chairman.

Suppose we applied the bill as it is to those who retired, say, prior to 10 years ago, and gave those, from that time onward, the benefit of the 3-year high plus cost of living and adjustments. This way, wouldn't you be eliminating the problems you would have 2, 3, 4 years hence, if we made a disparity in this bill?

Mr. WALTERS. You would certainly help, in my opinion, to eliminate that problem. If you went back 10 or 12 years and gave those people who retired—of course they are going to oppose that strongly down the street.

Mr. WHITE. They may not. They may oppose that less than this.

Mr. WALTERS. That might be true.

Mr. WALDIE. The time has about expired.

Mr. WALTERS. But we would support that philosophy.

Mr. WALDIE. Chairman Dulski?

Mr. DULSKI. No questions.

Mr. WALDIE. I would like to request that any person in the audience who might wish to come forward and testify to give their name.

Mr. SPARKS. Arthur L. Sparks, Director of Field Operations for the National Association of Retired Federal Employees. Mr. Chairman, I just would like to invite your attention just for a minute to the health program. In November, we are approaching another open season. I am concerned with the captive, more or less, audience that has been created to the so-called Government plan of insurance.

My contention is that there are several Government employee plans under the Government employee program that are good plans, that the Federal employee and the Federal retiree should know about.

Now the Commission will tell you that there is a provision in there, and it is in small print, that if they are interested in any other plan, they can request that plan.

Well, no employee and no retiree, unless he knows whether there is some other plan or what the provisions are, he is not going to. And half of them won't read that fine print.

I think the Government should afford the employees and the retirees the opportunity to look at all of these plans which are available and then make up their minds.

I would like to see—it's no more trouble for the Civil Service bunch to put three or four plans together instead of two. It would take them another minute. There is nothing in the law to say they can't do, or shan't do it.

We would like to see something made available to where every Government employee has the right to view every plan under this program to which he is entitled, and let him make up his own mind.

If there is any thing the committee can do for that open season to see that the employees and retirees receive a copy of these other plans—

Mr. WALDIE. The committee is very well aware of that problem, and as a matter of fact, the committee certainly will make a recommendation to the Civil Service Commission which we hope will have a very persuasive effect, that they not only make that and other information more readily available to the employees, but in addition, they make a recommendation as to which of the possible plans is the best for the dollar of the employee.

And I agree with you. At the present time, the options are exercised in total blindness.

Mr. WALTERS. Mr. Chairman, I would like for you to also insist that the entire contract be printed in the brochure. Now we get letters all the time where they refuse to pay a claim and they say the master contract doesn't provide that they pay this.

Well, the poor guy that has this little brochure, has never seen that master contract.

Mr. WALDIE. We are operating on that program, as you recall from our hearings. We are insisting in the future that the Civil Service Commission, in addition, as well as the carriers, inform all employees that they have a right of appeal to the Civil Service Commission, which the law provides, but which no one tells them about.

And I think if the Civil Service Commission understands that in fact appeals will be made when they don't understand the reason for rejection, the reason for rejection will be made more clear to them, and if there is validity in it, the employee can make a determination as to whether he wants to appeal.

But I think both of the points you have just made have been amply substantiated by testimony to the subcommittee on our recent inquiry, and we will act on them.

Mr. MILLER. Luther Miller, Field Vice President of Region Six of the National Association of Retired Federal Employees.

In regard to the question asked by Mr. White, I would like to make one comment that perhaps will help him. In regard to these people who did not make provisions for the survivor when they retired, I don't know what proportion of people over the country come under these conditions, but I have two personal friends who live in my hometown, and are members of our chapter, who, when they retired, had wives who were on their terminal deathbed. I mean, they died in a short while.

And the doctors told them they couldn't possibly survive. Under the provisions of the retirement laws at that time, had they made provisions for them, they would have had deductions made from their annuities for the rest of their lives, and could never have designated another survivor.

So they were driven to the decision which they made, not by reason of the fact they wanted the money, but for the reason they couldn't get anything out of the law as it stood.

I just wanted that part made clear.

Mr. WALDIE. Are there others in the audience who desire to offer any testimony?

Mrs. DENOENCE. My name is Marie Denovence and I just recently retired. And I suddenly find that I have the wrong medical plan for now.

Because what we forget, as we work for the Government there was always the medical office, and if you needed your blood pressure checked, you went to the medical office and the nurse checked it.

If you had fallen and broken your skin, you would get a tetanus shot. All the minor things we used to get that really don't require a doctor; now you need more of a clinic type thing. And here all this time I had a different type of plan, because I have had the availability of a medical office, and I think most of the people who have worked for the Government had a medical office.

There were invariably times when you would go down to that thing. Now I don't have that available and I have to go to a private doctor and pay \$25 to have my blood pressure checked. This is going to push the cost of our medical insurance up so high that it's going to make things a lot worse than it was.

I somehow feel either I need another plan or maybe the Civil Service Commission has to set up clinics for retired people to go into.

Because there are a lot of things that suddenly I can't get done, and if I go to the doctor's office, and pay the tremendous prices, I am going to have to pay for it, the cost of hospitalization and the medical plans are going to have to go up high too.

Mr. WALDIE. Thank you. We appreciate that comment.

VOICE: Could you condense what she said? We couldn't understand.

Mr. WALDIE. She said—at the risk of condensing it improperly; if she shakes her head violently, you will know I erred—she recently retired, and assumed that she had the proper medical plan for her needs as a retiree. But the assumption was wrong because, while she was employed, she was able to utilize the medical services of the agency for which she worked, for minor incidences of medical care.

She now finds that those instances of minor medical care are not available to her without going to a doctor's office, and to provide that sort of coverage is way beyond her means as a retiree.

And she suggests that that is a gap in medical coverage for retirees that somehow ought to be met.

I just want to make one final comment in closing these committee hearings, and then I will ask each member of the committee who still remains if they desire to make a final comment.

The problem we face as Members of Congress is a problem that I am certain you are aware of, and that is the assessment of priorities.

It has occurred to me, while I have been in Congress, and it occurred to me while I served in the California legislature, that priorities are too frequently maladjusted, particularly where the public employee is concerned.

Wherever there is a need to balance a budget, or to economize in public expenditures, the easiest target for a reduction in expenses or a denial of a needed need is the public employee.

Your wage increases are not granted because of the necessity of economizing; your fringe benefits are cut back or denied because of the necessity of economizing.

And I submit in part that that course of action is wrong, because it has the result that you as a public employee are paying a double tax; you pay the same income tax that every member of our society pays, and in addition, you pay an additional tax by the fact that you have been deprived of benefits that normally would be yours were we not in a stringent budget situation.

That result is not fair. Neither is it just. And I think it has come about largely because of a failure on the part of public employees in times past in this country to exercise the political power that you possess.

And you have been denied that opportunity by acts such as the Hatch Act, by other pressures against you. Every time you have been denied it, your failure to exercise your voice strongly and politically—which is the only voice that is understood in Government—has operated to your disadvantage.

I think for that reason, your presence here in Washington in this legislative convention, and your presence here in this committee room, must make it very clear to you how impressive you have been to us who have been exposed to you, and how constructive your presence here has been to the objectives you seek.

It's been helpful to us. We learned a lot today. We also, I think, have responded or will respond to that which is the right of every American citizen, the right to petition their representatives in Government and to petition with the dignity and with the intelligence and with the careful preparation with which you have presented your case today.

I hope that the quiet attitude of public employees that has too long prevailed in this country, to their detriment, has reached an era where that will close, and where they will now stand up and demand that which is theirs and which should have been theirs during these years.

And I congratulate you and your president for organizing this legislative conference, and for presenting the case as demonstrably well as you have done.

With those closing remarks, I will now turn to the remaining members of the committee for whatever comments they care to make as this committee hearing comes to a close.

Mr. Chappell?

Mr. CHAPPELL. Mr. Chairman, I don't believe I have anything new to add. I would like to say to those people from Florida, that I would like to visit with you for a few minutes outside the door at the conclusion of the meeting.

Mr. WALDIE. Mr. Hillis.

Mr. HILLIS. Thank you, Mr. Chairman. I have enjoyed very much being with you. I might mention I have also recognized the unfairness in the past of the Hatch Act on political activities among Federal employees. I have been one of the cosponsors of legislation this session that would remove some of the restrictions on political activity by Federal employees, but not remove the protections that are needed and afforded under that act.

I certainly think there is no place in this country today where a public employee, particularly a Federal employee, should be considered anything but a first-class citizen, and I think it is very true in the area we are dealing with here today.

Mr. WALDIE. Mr. White?

Mr. WHITE. Thank you, Mr. Chairman.

First, I want to echo what Mr. Chappell said. I hope to meet with the Texans outside the door. I am sorry not to have met with you earlier.

I think the members of this committee are sympathetic to your objectives, and the problem is to find a practical piece of legislation that will be accepted right down the line by not only both Houses, but by the administration and the Bureau of the Budget.

I think we see some light here, and I hope we will soon pass out legislation that will be satisfactory to you. Thank you very much, Mr. Chairman.

Mr. WALDIE. Just in conclusion, let me suggest that the possibilities of finding that legislation will be remarkably enhanced if you will do the job that now lies before you. And that is to contact every Congressman you know, and to tell them that your well-being is just as impor-

tant as the well-being of the Southeast Asian citizen who is demanding great portions of our budget these days.

Now, as a final statement, Mr. Walters?

Mr. WALTERS. Mr. Chairman, I do not possess words to express to you and to the members of this committee our thanks and appreciation for this hearing this morning.

I would like to say that you have echoed what I have been attempting to say since becoming president, that this organization ought to become the most powerful political organization in existence. We are not under the Hatch Act? We are not responsible to anybody but our consciences.

And we have endeavored to work for the political election of our friends and to forget about our enemies, and I hope that this organization will do that more and more in the future, and exercise our privilege and opportunity of being a political arm, to improve not only our own personal conditions, but that of this country; and we thank you again very kindly, sir.

Mr. WALDIE. This committee is adjourned.

(Whereupon, at 12 noon, the hearing was adjourned.)





