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EARLY RETIREMENT LEGISLATION

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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. 1266 and similar bills

A BILL TO AMEND THE AGE AND SERVICE REQUIREMENTS FOR
IMMEDIATE RETIREMENT UNDER SUBCHAPTER III OF CHAPTER
83 OF TITLE 5, UNITED STATES CODE, AND FOR OTHER
PURPOSES

SEPTEMBER 21, 1971

Serial No. 92-25

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CHAPTER IV

The first of the two main divisions of the subject is the history of the

country, and the second is the description of the country.

The history of the country is divided into two parts, the pre-historic

period and the historic period.

The pre-historic period is divided into three parts, the Stone Age,

the Bronze Age, and the Iron Age.

The historic period is divided into two parts, the ancient period and the

modern period.

The ancient period is divided into three parts, the Egyptian period,

the Greek period, and the Roman period.

The modern period is divided into two parts, the Middle Ages and the

Modern Ages.

The Middle Ages is divided into three parts, the Dark Ages, the

Golden Age, and the Silver Age.

The Modern Ages is divided into two parts, the Renaissance and the

Enlightenment.

The Renaissance is divided into three parts, the Italian Renaissance,

the French Renaissance, and the English Renaissance.

The Enlightenment is divided into two parts, the French Enlightenment and the

English Enlightenment.

The French Enlightenment is divided into three parts, the

Enlightenment of the 17th century, the Enlightenment of the 18th century,

and the Enlightenment of the 19th century.

The English Enlightenment is divided into two parts, the

Enlightenment of the 17th century and the Enlightenment of the 18th century.

EARLY RETIREMENT LEGISLATION

TUESDAY, SEPTEMBER 21, 1971

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

The subcommittee met, pursuant to notice, at 9:45 a.m., in room 210, Cannon House Office Building, Hon. Bill Chappell, Jr. (acting chairman), presiding.

Mr. CHAPPELL. The subcommittee will come to order.

We all regret that the chairman of the subcommittee, Mr. Waldie, is suffering a bit of illness out in California and cannot be with us today. We all wish him a speedy recovery, I am sure. I know he would want me to say to you that he regrets missing this meeting even more than we regret his incapacity to be here.

Today the subcommittee will discuss three bills which liberalize the entitlement provisions of the civil service retirement law. Present law provides that a Federal employee may retire at age 60 if he has 20 years' service, or he may retire at age 55 if he has 30 years' service.

H.R. 1266, which was introduced by our colleague, Mr. Daniels, would modify the age and service requirements by allowing a Federal employee the right to retire when the combination of his age and length of service aggregates at least 80 years. For example, an employee who is 57 and has 23 years' service would be able to retire under the "80 point" plan.

A second provision of Mr. Daniels' bill would extend reduction in force retirements to permit an employee to volunteer for retirement during a major reduction in force. This section of Mr. Daniels' bill is essentially the same as another bill which we will consider today, which was introduced by Chairman Dulski. Chairman Dulski's bill, H.R. 9303, would allow an employee who had 25 years' service, or was 50 years old and had 30 years' service, the option of submitting his application for retirement during a reduction in force.

The third bill before us this morning is H.R. 3592, introduced by our colleague on the subcommittee, Mr. Scott. This bill would authorize immediate retirement, on full annuity, after 30 years' service regardless of age.

Without objection, there will be inserted in the record, at this time, Mr. Daniels' bill, H.R. 1266, Mr. Scott's bill, H.R. 3592, Chairman Dulski's bill, H.R. 9303, and copies of the administration reports on these bills.

(The bills and reports follow:)

[H.R. 1266, 92d Cong., first sess.]

A BILL To amend the age and service requirements for immediate retirement under subchapter III of chapter 83 of title 5, United States Code, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 8336 of title 5, United States Code, is amended to read as follows:

"(a) An employee who is separated from the service and whose attained age plus length of service aggregates the sum of at least 80 years is entitled to an annuity.

"(b) An employee, the duties of whose position are primarily the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the criminal laws of the United States, including an employee engaged in this activity who is transferred to a supervisory or administrative position, who is separated from the service after becoming 50 years of age and completing 20 years of service in the performance of these duties is entitled to an annuity if the head of his agency recommends his retirement and the Civil Service Commission approves that recommendation. The head of the agency and the Commission shall consider fully the degree of hazard to which the employee is subjected in the performance of his duties, instead of the general duties of the class of the position held by the employee. For the purpose of this subsection, 'detention' includes the duties of—

"(1) employees of the Bureau of Prisons and Federal Prison Industries, Incorporated;

"(2) employees of the Public Health Service assigned to the field service of the Bureau of Prisons or of the Federal Prison Industries, Incorporated;

"(3) employees in the field service at Army or Navy disciplinary barracks or at confinement and rehabilitation facilities operated by any of the armed forces; and

"(4) employees of the Department of Corrections of the District of Columbia, its industries and utilities;

whose duties in connection with individuals in detention suspected or convicted of offenses against the criminal laws of the United States or of the District of Columbia or offenses against the punitive articles of the Uniform Code of Military Justice (chapter 47 of title 10) require frequent (as determined by the appropriate administrative authority with the concurrence of the Commission) direct contact with these individuals in their detention, direction, supervision, inspection, training, employment, care, transportation, or rehabilitation.

"(c) An employee who is separated from the service—

"(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or

"(2) while his agency is undergoing a major reduction in force, as determined by the Commission;

after completing twenty-five years of service or after becoming fifty years of age and completing 20 years of service is entitled to an annuity.

"(d) An employee who is separated from the service after becoming 62 years of age and completing 5 years of service is entitled to an annuity.

"(e) A Member who is separated from the service after becoming 62 years of age and completing 5 years of civilian service or after becoming 60 years of age and completing 10 years of Member service is entitled to an annuity. A Member who is separated from the service and whose attained age plus length of service aggregates the sum of at least 80 years is entitled to an annuity. A Member who is separated from the service, except by resignation or expulsion, after completing 25 years of service or after becoming 50 years of age and (1) completing 20 years of service or (2) serving in nine Congresses is entitled to an annuity.

"(f) An annuity authorized by this section is computed under section 8339 of this title."

(b) Section 8339 (d) of title 5, United States Code, is amended by striking out "(c)" and inserting "(b)" in lieu thereof.

(c) Section 8339 (g) of title 5, United States Code, is amended to read as follows:

"(g) The annuity computed under subsections (a), (b), (c), and (e) of this section for an employee or Member retiring under sections 8336 (a), (c), and (e), and section 8338(b) of this title is reduced by $\frac{1}{2}$ of 1 percent for each full month the employee or Member is under 55 years of age at the date of separation."

[H.R. 3592, 92d Cong. first sess.]

A BILL To amend title 5, United States Code, to authorize the immediate retirement without reduction in annuity of employees and Members of Congress upon completion of thirty years of service.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 8336(a) of title 5, United States Code, is amended to read as follows:

"(a) An employee who is separated from the service after completing thirty years of service is entitled to an annuity."

(b) The first two sentences of section 8336(f) of title 5, United States Code, are amended to read as follows:

"A Member who is separated from the service, after becoming sixty-two years of age and completing five years of civilian service, or after becoming sixty years of age and completing ten years of Member service, or after completing thirty years of service, is entitled to an annuity."

(c) The second sentence of section 8339(g) of title 5, United States Code, is amended by striking out "second or third sentence of section 8336(f)" and inserting in lieu thereof "second sentence of section 8336(f)".

SEC. 2. Section 8348(g) of title 5, United States Code, does not apply with respect to annuity benefits resulting from the enactment of this Act.

[H.R. 9303, 92d Cong. first sess.]

A BILL To permit immediate retirement of certain Federal employees.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8336(d) of title 5, United States Code, is amended to read as follows:

"(d) An employee who is separated from the service—

"(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or

"(2) while his agency, or subdivision thereof, is undergoing a major reduction in force, as determined by the Commission and who is serving in such geographic areas as may be designated by the Commission; after completing twenty-five years of service or after becoming fifty years of age and completing twenty years of service is entitled to a reduced annuity."

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., September 20, 1971.

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

DEAR MR. CHAIRMAN: This is in further reply to your request for the Commission's views on H.R. 1266, which would permit optional retirement (1) for an employee of an agency undergoing a major reduction in force, at age 50 with 20 years' service or at any age with 25 years' service, and (2) for an employee or Member whose combined age and service total 80.

The provision relating to an employee of an agency affected by a major reduction in force is similar to H.R. 9303, the substance of which was proposed by the Commission by letter dated June 8, 1971 addressed to the Honorable Carl Albert. A copy of this letter is attached for your ready reference. The Commission recommends enactment of H.R. 9303. (A technical amendment which consists of moving lines 1, 2 and 3 on page 2 flush to the margin is required.)

As already noted, H.R. 1266 would, in addition to permitting early optional retirement in certain reduction-in-force situations, permit optional retirement of an employee or Member of Congress with any combination of age and service totalling at least 80. A related provision would liberalize the reductions applied to certain "early retirement" annuities of employees and Members of Congress who retire before age 55 and 60, respectively. Currently certain employee annuities are reduced by $\frac{1}{2}$ of 1% per month for months they are under age 55, and Member annuities are reduced by $\frac{1}{2}$ of 1% per month for months they are between ages 55 and 60 and by $\frac{1}{2}$ of 1% for months they are under age 55. The result would be that both groups would have their annuities reduced only by $\frac{1}{2}$ of 1% per month and only for months under age 55.

The Commission strongly objects to the enactment of H.R. 1266, except for the provision (page 3, lines 10 and 11-17) dealing with major reductions in force. This provision should be modified, though, to limit its application to employees serving in affected geographic areas as designated by the Civil Service Commission (as under H.R. 9303).

The idea of using a combination of 80 years* of age plus service instead of more meaningful age and service retirement tests would go considerably beyond the present retirement law which provides for optional retirement at or after 55 with at least 30 years of service, age 60 with 20 years of service, and age 62 with 5 years of service. It would induce experienced employees with valuable talents who can readily obtain employment outside the Government to leave Federal service at the time of their greatest potential. Conversely, marginal employees who could not readily find outside employment would continue in Federal service.

To the extent that employees not personally involved in any reduction in force retired before age 55 without reentering the labor market, a material consideration is the current fast-growing interest in the problems of older people including retirees. One aspect of this interest is expressed in the belief that, for the economic good of the country, it is important to utilize the skills and experience of our older citizens rather than to encourage early retirement. Emphasis is also placed on the psychological importance of keeping people engaged in useful work. Persons who subscribe to this belief would find it difficult to understand why the Government, as an employer, should encourage its employees to retire at the peak of their productive capacity.

If H.R. 1266 is enacted, we estimate that the unfunded liability of the Civil Service Retirement system would be increased by \$8.1 billion and the normal cost would be increased by 0.96 percent of payroll. Under 5 U.S.C. 8348(f), the enacted bill would be deemed to authorize appropriations to finance the unfunded liability in 30 equal annual installments. In order to finance a liability of \$8.1 billion, each annual installment would amount to \$502 million, with the first installment being due June 30, 1972.

For these reasons, the Commission is strongly opposed to enactment of H.R. 1266.

The Office of Management and Budget advises that there is no objection to the submission of this report and that enactment of H.R. 1266 would not be in accord with the program of the President.

By direction of the Commission:

Sincerely yours,

(S) ROBERT E. HAMPTON,
Chairman.

Enclosure.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., September 20, 1971.

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

DEAR MR. CHAIRMAN: This is in reply to the Committee's request for the views of this Office on H.R. 1266, "To amend the age and service requirements for immediate retirement under subchapter III of chapter 83 of title 5, United States Code, and for other purposes."

H.R. 1266 would allow early optional retirement of an employee when his combined age and length of service equals 80. In addition, the bill would permit an employee, in an agency undergoing a major reduction in force, to retire after 25 years' service at any age, or at age 50 with 20 years' service. Further, the bill would reduce from 2 percent to 1 percent the annual reduction that is applied to the annuity of an employee who retires before age 55.

In its report, the Civil Service Commission states that the more complete provisions of H.R. 9303, concerning retirement in major reductions in force, are preferred to those of H.R. 1266, and sets forth a number of reasons for recommending against enactment of the other features of the bill.

We concur with the views expressed by the Civil Service Commission. Accordingly, for the reasons stated in the Commission's report, we strongly recommend against favorable consideration of H.R. 1266. Enactment of H.R. 1266 would not be in accord with the program of the President.

Sincerely,

(Signed) WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., September 20, 1971.

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

DEAR MR. CHAIRMAN: This is in further reply to your request for the Commission's views on H.R. 3592, a bill "To amend title 5, United States Code, to authorize the immediate retirement without reduction in annuity of employees and Members of Congress, upon completion of thirty years of service."

The idea of using a service-only retirement test instead of more meaningful age and service retirement tests would go considerably beyond the present retirement law which provides for optional retirement at or after age 55 with at least 30 years of service, age 60 with 20 years of service, and age 62 with 5 years of service. It would induce experienced employees with valuable talents who can readily obtain employment outside the Government to leave Federal service at the time of their greatest potential. Conversely, marginal employees who could not readily find outside employment would continue in Federal service.

To the extent that employees not personally involved in any reduction in force retired before age 55 without reentering the labor market, a material consideration is the current fast-growing interest in the problems of older people including retirees. One aspect of this interest is expressed in the belief that, for the economic good of the country, it is important to utilize the skills and experience of our older citizens rather than to encourage early retirement. Emphasis is also placed on the psychological importance of keeping people engaged in useful work. Persons who subscribe to this belief would find it difficult to understand why the Government, as an employer, should encourage its employees to retire at the peak of their productive capacity.

If H.R. 3592 is enacted, we estimate that the unfunded liability of the Civil Service Retirement system would be increased by \$4.1 billion and the normal cost of the system would be increased by 0.70 percent of payroll. Under 5 U.S.C. 8348(f), the enacted bill would be deemed to authorize appropriations to finance the unfunded liability in 30 equal annual installments. In order to finance a liability of \$4.1 billion, each annual installment would amount to \$251 million, with the first installment being due June 30, 1972.

For these reasons, the Commission is strongly opposed to enactment of H.R. 3592.

The Office of Management and Budget advises that there is no objection to the submission of this report, and that enactment of H.R. 3592 would not be in accord with the program of the President.

By direction of the Commission:

Sincerely yours

(S) ROBERT E. HAMPTON,
Chairman.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., September 20, 1971.

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

DEAR MR. CHAIRMAN: This is in reply to the Committee's request for the views of this Office on H.R. 3592, "To amend title 5, United States Code, to authorize the immediate retirement without reduction in annuity of employees and Members of Congress upon completion of thirty years of service."

The bill would authorize retirement at any age, on unreduced annuity, of an employee who completes thirty years of service. In its report on this bill, the Civil Service Commission states a number of reasons for recommending against its enactment.

We concur with the views expressed by the Civil Service Commission. Accordingly, for the reasons stated in the Commission's report, we strongly recommend against favorable consideration of H.R. 3592. Enactment of H.R. 3592 would not be in accord with the program of the President.

Sincerely,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 8, 1971.

HON. CARL ALBERT,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: The Commission submits for the consideration of the Congress, and recommends prompt favorable action on, the attached legislative proposal which, during a major reduction in force in a department or agency, would permit the optional retirement on reduced annuity of Federal employees with at least 25 years of service, or, after becoming 50 years of age, with at least 20 years of service.

The proposed legislation would be of inestimable benefit to employees, management, and the community in which an installation undergoing a reduction in force is located. Reductions in force have a depressing effect on employee morale and result in severe personal hardships caused by loss of income and uncertainty regarding future employment. Major reductions in force, through multiple "bumping" actions, also have a disruptive effect on agency management. To the extent that attrition, particularly retirement, reduces the need for involuntary separations and the chain-effect displacement of employees with lower retention rights by those with higher retention rights, these hardships and disruptions are mitigated.

In a smaller community where a Federal installation is a main source of employment, a major reduction in force may adversely affect the community's economy. In a larger community, the release of many employees in some occupational categories may place on an already troubled labor market people for whom there are no comparable occupations in the private sector. Permitting people to retire on annuity income and spreading voluntary retirements throughout an entire department or agency, or a subdivision of a department or agency, as the attached legislation proposes, would at least moderate these adverse effects of reductions in force on the community.

Another benefit to be derived from the proposed legislation is that it will enhance the agency's future effectiveness in carrying out its mission by helping to retain younger employees. Nothing raises the average age of an organization more quickly than a substantial reduction in force in which the youngest employees with the lowest retention standing are separated and the oldest employees are retained.

Under present law, an employee who is at least age 50 and has at least 20 years' service, or 25 years' service regardless of age, may retire on an immediate annuity if he is involuntarily separated, as when he is reached by reduction in force. Unless the employee is old enough and has sufficient service to retire optionally (age 55 with 30 years of service, age 60 with 20, or age 62 with 5), if he is not reached for reduction in force, he does not have the right to retire even if he is desirous of doing so, and thus permit an employee who wants to continue to work to be retained. The proposed legislation would simply give the long service employee who is not eligible to retire under the regular optional retirement provision of the law the opportunity to retire voluntarily during a limited period when his agency is undergoing a major reduction in force.

Under the proposed legislation, the Commission would make the determination as to when a reduction in force is major and would fix the time within which employees could exercise the option to retire. In determining when a reduction in force is a major one, the Commission intends to take into account such things as the impact it will have upon the local economy, the degree of disruption of the operations of an agency or installation, and the effect on its future capability to effectively carry out its mission. A reduction in force which affects a large number of employees in relation to the total number in the agency, or a large number of employees in the same competitive area or in a community would clearly be a major one. The time within which the option to voluntarily retire could be exercised would be set by the Commission so that employees could not defer a decision until the reduction-in-force had been nearly completed. The Commission will also make the determination as to whether eligible employees throughout the agency could exercise the option to retire, or whether the option to retire would be restricted to eligible employees of the agency who are employed in specific geographic areas or organizational units where the effects of the reduction in force are particularly severe. Like employees who are involuntarily separated, those who exercise the option to retire voluntarily in a major reduction in force will have their annuities reduced by 1/6 of 1 percent (2 percent a year) for each month they are under age 55.

As in regular optional retirement cases, the Commission would be vigilant in enforcing the requirement that a retirement under the proposed legislation is the result of the employee's voluntary action rather than of coercion by his agency.

Also in situations where voluntary retirements are not confined to designated geographic areas, the Commission would require an agency to try to place an employee adversely affected by a reduction in force in one geographic area in a job vacated by retirement in another area.

Inasmuch as the number of employees eligible to retire if the proposed legislation were enacted would depend on whether the Commission authorized voluntary retirement on an agency-wide, or a more restrictive geographic basis, it is not possible to provide more than speculative cost estimates.

The Office of Management and Budget advises that there is no objection from the standpoint of the Administration's program to 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,

ROBERT HAMPTON,
Chairman.

Enclosure.

A BILL To permit immediate retirement of certain Federal employees.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8336(d) of title 5, United States Code, is amended to read as follows:

"(d) An employee who is separated from the service—

(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or

(2) while his Agency, or subdivision thereof, is undergoing a major reduction in force, as determined by the Commission and who is serving in such geographic areas as may be designated by the Commission; after completing 25 years of service or after becoming 50 years of age and completing 20 years of service is entitled to a reduced annuity."

Mr. CHAPPELL. The first statement before the subcommittee this morning is from the chairman of the full committee, the Honorable Thaddeus J. Dulski. His statement will appear in the record at this point as though presented in full.

STATEMENT OF HON. THADDEUS J. DULSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. DULSKI. Mr. Chairman, under date of June 8, 1971, the Chairman of the United States Civil Service Commission, the Honorable Robert E. Hampton, submitted a formal request to the Congress for legislation to provide a change in the law affecting retirements from the Federal service.

In accordance with my policy, as chairman of the Committee on Post Office and Civil Service, and in order that the proposed legislation might be before this subcommittee for consideration, I introduced a bill incorporating the Commission's proposal, H.R. 9303. I was joined in sponsoring this legislation by the chairman and the ranking minority member of the subcommittee, Mr. Waldie and Mr. Hillis, respectively.

Under present law, an employee who is at least age 50 and has at least 20 years' service, or 25 years' service regardless of age, may retire on an immediate annuity if he is involuntarily separated, as when he is reached by reduction in force. Unless the employee is old enough and has sufficient service to retire optionally—age 55 with 30 years' service, age 60 with 20, or age 62 with 5—if he is not reached for reduction in force, he does not have the right to retire even if he is desirous of doing so, and thus permit an employee who wants to continue to work to be retained. The proposed legislation would

simply give the long-service employee who is not eligible to retire under the regular optional retirement provision of the law the opportunity to retire voluntarily during a limited period when his agency is undergoing a major reduction in force.

I would urge the subcommittee to give its thorough consideration to this proposal during the course of its deliberations.

Mr. CHAPPELL. Without objection, the first witness will be the Honorable Dominick V. Daniels.

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

Mr. DANIELS. Thank you, Mr. Chairman.

Mr. Chairman and my distinguished colleagues serving on the Retirement, Insurance, and Health Benefits Subcommittee, first I would like to say it feels a little awkward for me to be sitting down here at the witness table instead of in my usual and customary position on the dais. However, it affords me the opportunity to see how the witnesses feel when they are down here testifying.

I would like to express to the Chair my sincere thanks for scheduling my bill, H.R. 1266, and express to you my sincere thanks and appreciation for affording me the opportunity to appear here this morning in support of its approval.

Mr. Chairman, under present law, as it has been in effect since July 1966, Federal employees may retire at their own option with immediate annuity if they have reached age 55 and have served for at least 30 years, or at age 60 after at least 20 years of service.

For many years Federal employee organizations have advocated the adoption of a provision to permit voluntary retirement, regardless of age and with unreduced annuity, upon completion of 30 years' Federal employment. Organization representatives have held that such a provision would make it more economically feasible for workers with partial disability, or declining capacity or interests, to withdraw from active service at some additional cost to the civil service retirement system, but with an overall gain in Government efficiency. Many Federal employees contend that 30 years is a full career, justifying retirement without penalty, and that the present law discriminates against employees who came into Federal service at an early age. It is further contended that early retirement will somewhat ease the Nation's unemployment problem by making room for new employees.

There is merit, I believe, in a proposal to ease retirement opportunity for partially disabled or superannuated workers with substantial periods of service. I feel that there would probably be mutual advantage, also, in facilitating the retirement of long-service employees whose skills are supplanted by new technologies, or who have simply lost interest in their Government work. On the other hand, a retirement benefit of unreduced annuity would be equally available, and perhaps more attractive, to the fully productive, long-service employees. The probability of losing the wrong people would become even greater if eligibility were based only on a 30-year service requirement and not at all on age.

Accordingly, I introduced H.R. 1266, the primary purpose of which would permit an employee to exercise the right to voluntarily retire when his combined attained age and length of service totals the sum

of at least 80 years. For example, an employee who has attained age 50 would be able to retire after having served for a period of 30 years, or an employee age 55 could retire after service of at least 25 years. Similarly, an employee who entered Government service at age 18, and served continuously, could retire at age 49, having then served 31 years, an aggregate of 80.

H.R. 1266 has the flexibility of accommodating to the cases of employees between ages 55 and 60, but who have less than 30 years of service, such as age 58 with 22 years' service, and so forth. Of course, many other examples could be pointed out.

In order to minimize the drift to other employment by the more productive workers, my bill provides that the annuity of any employee retiring prior to the attainment of age 55 be reduced by one-twelfth of 1 percent per month. As a matter of consistency and equity, a corresponding change in the annuity reduction formula applicable to early involuntary separation retirements is also provided.

In essence, the present reduction factor of 2 percent per year applicable to involuntary retirement prior to age 55 would be modified to 1 percent, and apply equally to both involuntary and voluntary separations.

Embodied in my proposal, also, is a provision substantially identical to Chairman Dulski's H.R. 9303. It is similar to that proposal recommended by the Civil Service Commission to permit the optional retirement, during major reductions in force, of employees with at least 25 years' service or after completion of 20 years' service and attainment of age 50.

Under existing law, an employee who has served for at least 25 years, regardless of age, or has reached age 50 and performed 20 years of service, is entitled to an immediate annuity in the event of his involuntary separation, generally by reason of reduction in force. Unless an employee meets the age and service requirements to retire voluntarily—such as 55-30, 60-20, or 62-5—if he is not actually involved in the reduction in force he has no optional right, even though he might desire to retire and allow another affected employee to be retained.

Simply stated, this provision would allow the long-service employee who would not otherwise be eligible to voluntarily retire a limited opportunity to submit himself for involuntary retirement while his employing agency is undergoing a major retrenchment.

Mr. Chairman, I am of the opinion that H.R. 1266 would be of mutual benefit to both the Federal employee and the Government, and urge the subcommittee's thorough consideration of its merits.

That concludes my testimony, Mr. Chairman. While I regret not being able to remain to hear the testimony of the other witnesses and to participate in the deliberations, I would like to point out, as I informed you before the meeting started, that I also serve on the Select Subcommittee on Education. Today that subcommittee has scheduled for its consideration the mark-up of the higher education bill, a very important bill. The law, as you know, expired on June 30, and we are just moving along today on a continuing resolution. It is important for me to get to that meeting, which is scheduled to begin in a few minutes.

However, if there are questions, I would be glad to attempt to answer them and then take leave of you.

Mr. CHAPPELL. I am sure all of us understand your problem, since from time to time we have the same problem.

Are there questions from the committee? Mr. Hillis?

Mr. HILLIS. No questions, Mr. Chairman. I would like to commend my colleague, Mr. Daniels, for a very fine statement. I think he has very adequately explained the provisions of the bill. I am sure we will very carefully consider it.

Mr. CHAPPELL. Mr. SCOTT?

Mr. SCOTT. Before the gentleman leaves, Mr. Chairman, I would like also to commend him and to say I understand I will follow him as a witness with regard to my own bill. Although I prefer the bill I introduced, I am in full support of Mr. Daniels' bill.

In effect, the testimony that I will give, Mr. Daniels, is that I feel we have to look at all of these bills and come up with the one that will benefit not only the Federal employee but the country in general.

Mr. DANIELS. May I say to my distinguished colleague that in the event the subcommittee, in its wisdom, does not approve the bill I sponsor, H.R. 1266, but would prefer your bill, H.R. 3592, I would gladly join you as a cosponsor.

Mr. SCOTT. Thank you, sir.

Mr. CHAPPELL. Mr. HOGAN?

Mr. HOGAN. I want to share in the accolades to our friend. I want to comment that I am pleased that, after his years of service as chairman of this subcommittee, he still maintains his interest in the jurisdiction of the subcommittee. I am pleased to have him come before us today and give us the benefit of the expertise which he has acquired over the years he has been chairman of the subcommittee.

Mr. DANIELS. Thank you, Congressman Hogan.

Mr. CHAPPELL. Thank you very much, Mr. Daniels. I am sure you know I share the same thoughts as those which have been expressed.

Mr. DANIELS. I appreciate, sincerely, those kind sentiments.

Mr. CHAPPELL. Thank you, Mr. Daniels.

At this time we have the honor of hearing Mr. Scott, who is the introducer of the second bill which I mentioned in my opening statement.

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

Mr. SCOTT. Thank you, Mr. Chairman, for scheduling these hearings on the various retirement measures, including my bill, H.R. 3592, to permit optional retirement of Federal employees upon the completion of 30 years' service, regardless of age.

In my opinion, these measures should be thoroughly considered and weighed against one another to determine which is most in the public interest as well as in the interest of the Federal employees. It seems reasonable that a person who has devoted 30 years of his life to service with the Federal Government should be able to retire with the prospect of a reasonably secure financial future.

The argument might be made that enactment of this bill would open the floodgates of retirement to hordes of employees, thereby depriving the Government of the services of skilled personnel. We should realize, however, that an employee is now eligible, under present law, to retire at age 55 upon completion of 30 years of service, but we have seen no great exodus to date. It is proposed now that an

employee with 30 years of service have the option to retire regardless of his age. I believe that this measure would have a considerable appeal to employees even though only a few would take advantage of the option, for a number of reasons.

First, the annuity of an employee with 30 years' service is only 56¼ percent of the average salary for his highest 3 years of employment. It is necessary for an employee to serve for 41 years and 11 months to receive the maximum benefits of 80 percent of his high 3-year salary.

Second, an employee who qualifies to retire with 30 years' service may need his full salary to support his family and to meet the heavy financial responsibility of educating his children.

Third, an active, able employee would not likely retire at 56¼ percent annuity if further employment would increase his annuity, especially in light of the reluctance of private employers to hire someone in his midfifties.

So, the question might be raised, why permit retirement after 30 years of service? I believe the answer is that optional retirement after 30 years will provide those employees who are unable to perform their duties an opportunity to retire with some dignity. This will give young men already in the Government a greater opportunity to advance, and it would provide employment for others. It should also be borne in mind that Federal employees in most cases pay a greater share toward retirement than employees in the private sector thereby earning a liberal retirement policy.

Let me emphasize that if we pass this legislation, it will affect only those who need it most—the men and women who cannot perform their work with full efficiency, and whose physical or mental condition will make retirement attractive. Under our retirement program today, I feel confident that any employee who is normally sound in body, limb, and mind will want to draw full pay as long as he can, rather than reduce his economic condition prematurely.

Mr. Chairman, the subcommittee will want to compare my proposal with the one introduced by the gentleman from New Jersey, Mr. Daniels. These have a great deal in common. We referred to this during Mr. Daniels' testimony, and I would not hesitate to support his measure for retirement when the years of service and age of an individual total 80.

I do believe, however, that legislation permitting optional retirement at the completion of 30 years of service to be more simple and to have more appeal from a recruitment point of view. There might be a tendency on behalf of the Government also to discriminate against the employment of older people if the Daniels bill were enacted. For example, an employee who entered the service at age 40 could retire in 20 years; one who entered at 50 could retire in 15 years; and one who entered at age 60 could retire in 10 years, because in each of these three illustration their total age and length of service would reach the magic figure of 80. The question in my mind, Mr. Chairman, is whether the Government would feel that the employment of people from age 40 to 60, under the Daniels' formula, would be in the public interest. This is not to say that we should not adopt the Daniels bill, but I would urge that we consider all reasonable alternatives and then accept one of the bills now before us or to combine them in some manner so as to permit the committee to favorably report the best possible measure.

Thank you, Mr. Chairman.

Mr. CHAPPELL. Thank you, Mr. Scott.

Are there questions?

Mr. HILLIS. No questions, Mr. Chairman. I commend my distinguished colleague on his statement.

Mr. HOGAN. I have no questions.

Mr. CHAPPELL. Mr. Scott, when there are no questions from a committee like this on your statement, you have done a pretty good job.

Mr. SCOTT. Thank you.

Mr. CHAPPELL. At this time we have the pleasure of having before us to speak on these bills Mr. Hogan, a member of the committee and the author of a bill which I believe is identical to Mr. Daniels' bill is that right?

STATEMENT OF HON. LAWRENCE J. HOGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. HOGAN. Through an oversight, the staff failed to include it in their summary.

I am pleased to have a chance to appear as a witness and as an advocate for my bill, which is H.R. 7403, which would liberalize the conditions under which Federal employees could elect voluntarily to retire.

Under the present law, the earliest age at which voluntary retirement with an immediate annuity is permitted is 55, and then only for people who have at least 30 years of Federal employment. In addition, people whose separation is involuntary (but not for misconduct or delinquency) can qualify for an immediate annuity at any age if they have 25 years of service, or as early as age 50 if they have at least 20 years of service. However, when an annuity begins before age 55, the annuity is reduced by one-sixth of 1 percent for each month (2 percent a year) that the person is under age 55.

My bill would liberalize these provisions by:

1. Allowing voluntary retirement whenever an individual's age and years of service add up to 80, as do the other bills previously referred to;

2. Allowing voluntary retirements to people of any age who have 25 years of service and to people age 50, and over, who have at least 20 years of service, provided that the Civil Service Commission determines that a major reduction in force is underway;

3. Cutting in half—to one-twelfth of 1 percent—the reduction factor that applies to people who retire before age 55.

These liberalizations are designed to introduce a greater element of flexibility into the Federal civilian retirement program. While I have no idea how many people will opt for retirement under these provisions, it is my understanding that about 180,000 employees who are not now eligible for immediate retirement could become eligible if my bill were enacted. I might point out that this would assist the President in his efforts to reduce the size of the Federal employment rolls through attrition.

I would like, at this point, to make an important observation about retirement and retirement age. Authorities on the subject are of the general opinion that there is no single age that is the retirement age for everyone. The age that any given individual should retire

depends on the individual and the type of work he does. For some people in some jobs, retirement should come as early as 45 or 50, while others can function in their jobs up to 70, 75, or even 80. Retirement age, then, is a very individual characteristic. It varies from person to person and depends on how an individual is fitted to his job. Therefore, it would seem that the appropriate thing to do would be to build as much flexibility as is consistent with good management into the Federal retirement system. In my opinion, that is what the "sum-equal-to-80" provision would do. Not only would it allow an individual greater latitude in determining when he would retire, but it would also guarantee the Government that the individual would have spent a considerable part of his life in Federal employment. For example, the man who starts working for the Federal Government at, say, age 20 could retire at age 50 with 30 years of service—5 years earlier than under the present law. On the other hand, the man who starts Federal employment at age 39 could retire at age 59½ with 20½ years of service—only 6 months earlier than is possible under the 60-20 provision of present law.

The second liberalization proposed by my bill would operate only when a major RIF was in process. The proposal is simply to allow a person who wants to retire to do so, so that someone else will not lose his job. The provision would operate in the following manner. Suppose that there are two people both age 50, both doing the same type of work and under the RIF one has to lose his job. If one of the men has 19 years of service and the other 20 years, the man who will lose his job is the one who has only 19 years of service; the man who would not qualify for a retirement annuity. Under my amendment, the man with 20 years of service could, if he wanted to, retire and get an immediate annuity. In such a case, the man with 19 years of service could stay on the job. I want to make it clear that this is a voluntary retirement provision; the choice would be up to the man with 20 years of service. There is nothing in this bill that would let the employing agency or any other person force an employee to retire.

The third change which my bill would bring about grows out of the other two. The reduction factor that is applied when a person becomes entitled to an annuity before age 55 would be changed from one-sixth of 1 percent to one-twelfth of 1 percent for each month the employee is under age 55 at the time of retirement. This change seems necessary just to assure that people who retire early receive annuities that bear a meaningful relationship to the employee's preretirement income. For example, the man I mentioned earlier who could elect to retire with 20 years of service because a RIF was in process would get, under present law, an annuity equal to about 36 percent of his high-three average salary, reduced by 10 percent to about 26 percent because he was under 55. Under my proposal, the reduction would be only 5 percent, to about 31 percent of the high-three average.

Mr. Chairman, I appreciate being allowed to make this statement in support of H.R. 7403, and I hope that a favorable report on my bill or that proposed by my colleagues will permit the legislation to get to the full House in the near future.

Mr. CHAPPELL. Thank you, Mr. Hogan.

Mr. HILLIS. Is your bill exactly identical to the bill H.R. 1266?

Mr. HOGAN. Although I have not recently read the other bill, I assume that they are either identical or very similar. The staff may be able to enlighten us on that.

Mr. CHAPPELL. The staff informs us it has substantially the same effect.

Mr. HILLIS. I also understand from your statement that one of the greatest benefits of both of these bills is the flexibility providing the Federal employee with the option. It is up to him.

Mr. HOGAN. Right. I think it would be particularly valuable in time of RIF when there is a great stress and strain on Federal employees. I think the very human problem that results from that would be alleviated in some measure by the enactment of this legislation.

Mr. HILLIS. I think yours is a very good statement, and I commend you on it.

Mr. CHAPPELL. Have you any questions, Mr. Scott?

Mr. SCOTT. Mr. Chairman, I too, commend the gentleman. I think we have a number of bills here that perhaps we need to meld together a little bit.

Mr. CHAPPELL. Thank you, Mr. Hogan.

Mr. HOGAN. Thank you, Mr. Chairman.

Mr. CHAPPELL. We shall hear at this time from Mr. Thomas A. Tinsley, Deputy Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission.

STATEMENT OF THOMAS A. TINSLEY, DEPUTY DIRECTOR, BUREAU OF RETIREMENT, INSURANCE AND OCCUPATIONAL HEALTH, U.S. CIVIL SERVICE COMMISSION; ACCOMPANIED BY LOY WOOD, PERSONNEL MANAGEMENT SPECIALIST, CAREER POLICIES SECTION, BUREAU OF POLICIES AND STANDARDS

Mr. CHAPPELL. I note you have someone with you whom you might like to introduce.

Mr. TINSLEY. This is Mr. Loy Wood, of our Bureau of Policies and Standards. I have asked him to accompany me.

Mr. Chairman and members of the subcommittee, I want first of all to express Mr. Ruddock's disappointment in not being able to appear personally today to present the Civil Service Commission's views on H.R. 1266, H.R. 3592, and H.R. 9303, three bills to liberalize the provisions for retirement under the civil service retirement system. I am glad to have the opportunity to do so for him.

On June 8, 1971, in a letter addressed to the Honorable Carl Albert, Speaker of the House of Representatives, the Commission submitted for the consideration of the Congress a legislative proposal which, during a major reduction in force in a department or agency, would permit the optional retirement on reduced annuity of Federal employees with at least 25 years of service, or after becoming 50 years of age with at least 20 years of service. This proposal is contained in H.R. 9303.

The Commission has also submitted formal reports to the chairman of the Committee on Post Office and Civil Service on H.R. 1266 and H.R. 3592 in which we object to their enactment and state our reasons for doing so.

Since these reports have already been introduced into the record, I would like only to briefly underscore some of the main points con-

tained in our reports on the three bills being considered by the subcommittee this morning.

H.R. 9303 proposes to permit optional retirement for an employee of an agency or installation undergoing a major reduction in force at age 50 with 20 years' service or at any age with 25 years' service. Like employees who are involuntarily separated, those employees who exercise the option to retire voluntarily while their agency or installation is undergoing a major reduction in force will have their annuities reduced by one-sixth of 1 percent—2 percent a year—for each month they are under age 55.

This proposal, to permit employees in certain reduction-in-force situations to retire earlier than is possible under current law, is endorsed by the Civil Service Commission.

As is described at some length in our letter to the Speaker, this proposal would be of inestimable value to employees as well as management, and the community in which an agency or installation undergoing a reduction in force is located. The Commission would make the determination as to when a reduction in force is major, and would fix the time and the geographic area within which employees could exercise the option to retire. In determining when a reduction in force is a major one, the Commission would take into account such things as the impact it will have upon the local economy, the degree of disruption of the operations of an agency or installation, and the effect on the agency's or installation's future capability to effectively carry out its mission.

Enactment of H.R. 9303 would not immediately result in any increase in the unfunded liability of the civil service retirement system. Such liability would only be incurred when the authority provided in it is utilized. Since we do not know when and under what circumstances this will occur, it is not possible to provide estimates of future costs.

H.R. 1266, in addition to permitting early optional retirement in certain reduction-in-force situations, would permit optional retirement of an employee or Member of Congress with any combination of age and service totaling at least 80. A related provision would liberalize the reductions applied to certain "early retirement" annuities of employees and Members of Congress who retire before age 55 and 60, respectively. Currently certain employee annuities are reduced by one-sixth of 1 percent per month for months they are under age 55, and Member annuities are reduced by one-twelfth of 1 percent per month for months they are between ages 55 and 60 and by one-sixth of 1 percent for months they are under age 55. The result would be that both groups would have their annuities reduced only by one-twelfth of 1 percent per month and only for months under age 55. We believe these provisions would induce experienced employees with valuable talents who can readily obtain employment outside the Government to leave Federal service at the time of their greatest potential. Conversely, marginal employees who could not readily find outside employment would continue in Federal service.

Enactment of H.R. 1266 would automatically authorize 30 annual appropriations of \$502 million, beginning June 30, 1972, in order to finance the resulting \$8.1 billion increase in the unfunded liability of the civil service retirement system. It would also increase the normal cost of the retirement system by 0.96 percent of payroll. At this time when the administration is trying to exercise fiscal restraint, the addi-

tion of \$8.1 billion to the unfunded liability and annual appropriations of \$502 million are totally inappropriate.

The Commission strongly objects to the enactment of H.R. 1266, except for the provision dealing with major reductions in force.

H.R. 3592 would permit the optional retirement of an employee or Member of Congress at any age without reduction in annuity upon completion of 30 years of service. The idea of using a service-only retirement test instead of more meaningful age-and-service retirement tests would go considerably beyond the present retirement law which provides for optional retirement at or after age 55 with at least 30 years of service, age 60 with 20 years of service, and age 62 with 5 years of service. We believe this would have a result similar to that produced by H.R. 1266 in inducing employees to leave Federal service at a time when their contributions would be most valuable.

Enactment of H.R. 3592 would automatically authorize 30 annual appropriations of \$251 million, beginning June 30, 1972, in order to finance the resulting \$4.1 billion increase in the unfunded liability of the system. It would also increase the normal cost by 0.70 percent of payroll. Such increases are totally inappropriate at this time and the Commission also strongly recommends against enactment of H.R. 3592.

The Commission recommends that the subcommittee report favorably on, and that the Congress enact, H.R. 9303, and recommends against the enactment of H.R. 1266 and H.R. 3592.

I thank you for the privilege of appearing this morning. I will be glad to answer any questions you may have.

Mr. CHAPPELL. Thank you, Mr. Tinsley.

Mr. Hillis?

Mr. HILLIS. I do not have any questions at this time.

Mr. CHAPPELL. Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Tinsley, I notice that you favor the enactment of the administration's proposal, but you are in opposition to the ideas of the Members of Congress. This causes me some concern.

I have read your written statement and that of Mr. Hampton and the Office of Budget and Management. Is there any truth in the thought that if an idea originates downtown it is good, and if it originates on the Hill it is bad?

Mr. TINSLEY. I do not believe so, Mr. Scott. The Daniels bill contains the same provisions as the administration bill. Although I have not read Mr. Hogan's bill, I believe it also contains the same provision. Certainly we would endorse the provision, regardless of where it originated.

Mr. SCOTT. I believe the idea for these bills originated from downtown rather than from Congress. Of course, Mr. Hogan is here and can speak for himself.

I am concerned with the inconsistency of saying somebody can retire with 25 years of service during a major reduction in force, but express opposition to a 30-years-of-service retirement at the employee's option. You are saying, in effect, if it serves the Government's interest that he retire, if the Government chooses, he can retire with 25 years of service. You do not seem to be concerned about the financial effect of that. But 30 years of service is too soon to retire if he does it at his own option. Is there not an inconsistency there?

Mr. TINSLEY. The administration bill would give the employee the option, which he now does not have, of retiring during a major reduction in force.

Mr. SCOTT. Yes, but you are worried about the cost. You are saying in time of major reduction in force declared by the Civil Service Commission, he can retire with only 25 years of service. I do not see a thing about the cost that that will have. But you start talking about adding to the unfunded liability if it is 30 years of service, 5 years more, at his option. It seems to me there is an inconsistency. You do not see this?

Mr. TINSLEY. Mr. Scott, the reason for the lack of an estimate on the administration bill is that the administration bill does nothing more than grant the authority to do something. When the authority is exercised, that is when the cost would be involved. If the Congressman desires—

Mr. SCOTT. Is that not also true if the employee elects to retire? If he does not elect to retire, then there is no cost. Is that not true in both instances?

Mr. TINSLEY. That is true. On the basis of our actuarial studies and our past experience, they assume that of those eligible with 30 years of service, 25 percent would retire immediately. On a 30-year-service provision, those eligible for retirement would immediately become 223,000. You could assume that 25 percent of those made eligible by the bill would retire immediately. At least, that is our actuarial assumption based on our experience.

Mr. CHAPPELL. I wonder if you would yield on this very point so I may ask this question.

What you are trying to do, of course, is to prohibit the loss of those employees who might have reached the apex of their value to the Federal Government. You are trying to minimize that, are you not, sir?

Mr. TINSLEY. Yes, sir. We do not want to lose the people who are most valuable and retain the people who are not.

Mr. CHAPPELL. Would not H.R. 9303 have the same effect as the bills which the Commission opposes, in that they would also encourage valuable employees to retire?

Mr. TINSLEY. It could.

Mr. CHAPPELL. So you really have the same effect in all the bills, although you are objecting to the others and not to your own on the same basis.

Mr. TINSLEY. Not exactly the same, Mr. Chairman.

Mr. CHAPPELL. Tell us the difference.

Mr. TINSLEY. The authority in H.R. 9303 would only be exercised during a reduction-in-force situation. The area that the optional retirement would be permitted would then be determined.

Mr. CHAPPELL. You are speaking only to the point that you have an option where the Commission would pursue that point, and you are not speaking to the point of whether under either circumstance there would be an encouragement of the most valuable employees to leave the system.

Mr. TINSLEY. That could very well be.

Mr. CHAPPELL. That is the point I was trying to get at.

Mr. TINSLEY. In a certain situation, that could very well happen.

Mr. CHAPPELL. In essence, on that very point of trying to minimize the loss of the most valuable employees, all of the bills are pretty much identical. They differ only in degree. Is that not correct?

Mr. TINSLEY. They differ in degree; yes, sir.

Mr. CHAPPELL. Thank you, sir.

Excuse me, Mr. Scott. Thank you.

Mr. SCOTT. Thank you, Mr. Chairman.

I notice also when you speak of unfunded liability, you do seem to talk about the Daniels-Hogan bill and about my proposal, and you indicate that the unfunded liability in one instance would be \$8.1 billion, and then you say the 30-year optional retirement would be \$4.1 billion. So, if we are talking only about cost, then my bill would be preferable to the other bill.

Mr. TINSLEY. Your bill definitely results in less cost, in our judgment, than the Daniels bill.

Mr. SCOTT. Just about half.

Mr. TINSLEY. Yes, sir.

Mr. SCOTT. One further thing. You speak of a major reduction in force. As I understand your testimony, this is left pretty much to the discretion of the Civil Service Commission. We do not have guidelines, but the Civil Service Commission would determine that in one instance there is a major reduction in force under which an employee could retire, and in another instance they might determine otherwise. You would weigh all the factors.

Mr. TINSLEY. That is correct.

Mr. SCOTT. Would we be talking about the Department of Defense, or would we be talking about the three component parts of the Department of Defense, or would we be talking about a section, or just what are we talking about here?

Mr. TINSLEY. We could be talking about any one of those things. However, I would doubt seriously that in the Department of Defense it would ever be agencywide.

Mr. SCOTT. Would it be agencywide in Treasury or Justice or some other department?

Mr. TINSLEY. It could be, depending on the circumstances and the size of the cut and the impact on the agency and on the individuals concerned.

Mr. SCOTT. Is that not a little broad discretion to give to an administrative agency? Would it not be better if Congress laid down some guidelines on that so we would know what we are really enacting into law, whether it be a section, a division, or a department?

Mr. TINSLEY. One of the difficulties in laying down tight guidelines would be that you are locked in and you could conceivably have a situation that would not meet the guidelines but, in terms of the overall intent and purposes of the legislation, the authority should be exercised.

Mr. SCOTT. I will say to you quite candidly, I am concerned about the delegation of authority from the Congress to the administrative agencies. I think we have gone far too far over the years.

Thank you, Mr. Chairman.

Mr. TINSLEY. I can appreciate your concern, Mr. Congressman.

Mr. CHAPPELL. Thank you, Mr. Scott.

Let me ask you a series of questions. First of all, do you know what the life expectancy of an employee who retires now at age 55 would be?

Mr. TINSLEY. I do not, but I will be glad to furnish that to you. I believe we would have a figure on that in our actuarial office.

Mr. CHAPPELL. Would you furnish that?

Mr. TINSLEY. Yes, sir.

Mr. CHAPPELL. Would you also furnish what the life expectancy would be for one who went to work in 1940?

Mr. SCOTT. Would you yield for a moment, Mr. Chairman?

As long as we are getting figures, under present law at 30 years of service an employee can retire at age 55, and under my proposal he could retire at age 50. I just wonder how big an impact there would be then between these two. Are there many people in the Government who would take advantage of this difference of 5 years, confining your answer to only that one point?

Mr. TINSLEY. The difference in our present experience compared to what we would expect under your proposal. I will be very happy to furnish that for the record.

Mr. SCOTT. Thank you.

(The information follows:)

An employee who retires now at age 55 has a life expectancy of 22 years.

According to the Statistical Abstract of the United States (table No. 67) the average expectancy of life in 1940 for a worker age 20 was 47.8 years. In 1940 the average new retiree was age 65. He would have been expected to live 13 years.

Over 60% of the 37,000 made eligible will probably retire before age 55 or approximately 22,000 more than under present law.

Mr. CHAPPELL. According to the U.S. Statistical Survey, in an average situation, according to the figures which I have, an employee who went to work in 1940 was working under a life expectancy of 54.1 years. That life expectancy has risen today to over 70.5 years, almost 20 years.

Mr. Tinsley, is there any significance to that fact insofar as retirement is concerned, and are we getting into a situation where we will have to prepare most of our Americans, because of our good health programs and the increasing life expectancy, to go to a second-career proposition?

Mr. TINSLEY. I believe so, Mr. Chairman. Our former report, in addition to the reasons I mentioned in my statement, states that we are also concerned about encouraging early retirement when at the same time we are also gravely concerned about what happens to our older people or our senior citizens, who are becoming a larger and larger group all the time. If we are to keep pushing down the age when we tell a man he is ready for retirement, we certainly are going to increase the problem for the older individual in society.

Mr. CHAPPELL. It seems to me we are almost to a determination here of whether or not we are competent at this point, as a matter of principle, to set approximately 30 years as the maximum for a first career. Because of these tremendous increases in the longevity of man, we may be depriving our Federal Government of some of the very best employees whose services could be best utilized in their first career.

Mr. TINSLEY. That is correct.

Mr. CHAPPELL. Without having to prepare them or helping to prepare them for a very successful second career.

Your point is that if, under any of these bills, our best people are encouraged to leave the service, then the more we lower it, the more

we will encourage that very sort of thing to happen. Is that not true under all the bills?

Mr. TINSLEY. Under each one of the bills.

Mr. CHAPPELL. Including your bill.

Mr. TINSLEY. That would happen to a limited extent.

Mr. CHAPPELL. The enactment of either an 80-point or a 30-year bill would require increasing active employees' and agency deductions by a half percent each, or from the present 7 to 7½ percent. Is that not correct?

Mr. TINSLEY. To meet the normal costs?

Mr. CHAPPELL. Yes, sir.

Mr. TINSLEY. If we used the last official evaluation of the Board of Actuaries of the civil service retirement system, they set the normal cost at 14.14, I believe. If we were to use that figure, yes, there definitely would have to be an increase in keeping with the purpose of Public Law 91-93, which was more or less a commitment to also increase the contributions to meet normal costs.

However, I might say at this time, Mr. Chairman, in all honesty that the Board of Actuaries have recently completed a new evaluation of the system and, while their official report will not be forthcoming until probably the end of November or early December, at which time they will submit it to Congress, I do understand that they have in their evaluation come up with a figure lower than the 14.14 percent. What that figure is at the moment, I do not know. If the figure remains above 14 percent, then, yes, there should be considered an adjustment in the contributions.

Mr. CHAPPELL. You have given us some very valuable testimony here as to the cost estimates. Upon what are your cost estimates predicated?

Mr. TINSLEY. The details of the formula and the assumptions used by the actuaries, I am not completely knowledgeable of. I am not an actuary. However, on the rule of 80, they tell me one of the big reasons for the cost is that it shortens the period of contribution, and at the same time adds to the length of time the individual will receive benefits. That is over and above the increase in the number of people who would be eligible.

On the 30 years' service, it is primarily in the increase in the length of time that the individual will receive the benefit as well as the increase in the number of new eligibles.

If you want the details of the actuarial assumptions and the formulas, I am sure I can have the actuaries send you up all their tables.

Mr. CHAPPELL. Would you furnish that to us for the record?

Mr. TINSLEY. Surely.

(See pp. 68-75 for material requested.)

Mr. CHAPPELL. How many employees are now eligible to retire under the present provisions of the law?

Mr. TINSLEY. There are 186,000 eligible for immediate retirement under the present provisions, and there are approximately 660,000 eligible for involuntary retirement.

Mr. CHAPPELL. How many would be eligible in addition under the 30-year proposal?

Mr. TINSLEY. It would increase the number to 223,000.

Mr. CHAPPELL. That is, an increase from 186,000 to 223,000?

Mr. TINSLEY. That is right, which would be about 37,000.

Mr. CHAPPELL. What would be the number of eligibles under the rule of 80?

Mr. TINSLEY. That would increase the number eligible to 373,000.

Mr. CHAPPELL. Which one is that now?

Mr. TINSLEY. The rule of 80, Mr. Daniels' proposal.

Mr. CHAPPELL. How many would be eligible under the involuntary provision?

Mr. TINSLEY. Under the administration bill?

Mr. CHAPPELL. Yes; under the administration bill.

Mr. TINSLEY. It would be 660,000, the same as the involuntary separation.

Mr. CHAPPELL. That figure holds about the same under the present law and under the bills; is that right?

Mr. TINSLEY. Yes. The primary difference would be the option that the employee would exercise. We are assuming the results would be no different.

Mr. CHAPPELL. Have you any idea what percentage of employees might take advantage of these various bills, the three concepts?

Mr. TINSLEY. Our actuaries tell me on the 30 years I can assume that 25 percent would take advantage of it immediately.

Mr. CHAPPELL. You are saying 25 percent of those eligible?

Mr. TINSLEY. Yes.

Mr. CHAPPELL. All right, sir, go ahead.

Mr. TINSLEY. I would like to recheck this figure. The note I have here is that 13 percent of those 373,000 would retire in the first year. That is the increase with the rule of 80.

Mr. CHAPPELL. What is the present rate of those who normally retire?

Mr. TINSLEY. The present monthly retirement rate?

Mr. CHAPPELL. Yes.

Mr. TINSLEY. The average is about \$325 per month. That is because of the large spread.

Mr. CHAPPELL. I was talking about the number of retirees.

Mr. TINSLEY. About 5,000 a month.

Mr. CHAPPELL. Have you any statistics on how many of these go back into the workforce and compete with others for available jobs outside the Government?

Mr. TINSLEY. No, sir.

Mr. CHAPPELL. I wonder if there is any place where that information might be available.

Mr. TINSLEY. We might have some figures on the number of re-employed annuitants in the Federal service. That I could give you. We do not have any figures on those who may have gone into private employment.

Mr. CHAPPELL. Would you furnish that for the record?

Mr. TINSLEY. Yes, sir.

(The information follows:)

There are approximately 3,000 reemployed annuitants in the Federal service.

Mr. CHAPPELL. Are there other questions?

Mr. HILLIS. Mr. Tinsley, your figure of \$325 as the average retirement rate would include everybody who retires, with long and short service?

Mr. TINSLEY. Yes, that is right. That is a pure average.

Mr. HILLIS. What would be the average retirement of a person with a full career?

Mr. TINSLEY. I thought I had with me a breakdown of the retirement rolls by age and average. I will be glad to furnish that to the committee. I thought I had it with me, but I do not.

Mr. HILLIS. I think that would be helpful for the record.

(See pp. 68-75 for information requested.)

Mr. HILLIS. That is all the questions I have.

Mr. CHAPPELL. Mr. Scott?

Mr. SCOTT. I have just one further question.

Would you tell us, Mr. Tinsley, what is the average entrance age in the Federal service?

Mr. TINSLEY. The figure that we have and use for the average entrance age under the retirement system is 31 years of age.

Mr. SCOTT. Then under my bill, it works out that the average person would be eligible to retire at 61.

Mr. TINSLEY. The average, yes.

Mr. CHAPPELL. Let me conclude with this one question which follows up the earlier question which I asked about longevity. At least in theory, if we keep pushing the retirement age down and encourage employees to retire at an earlier age, at some place in our experience we will find that we have more people retired than working, assuming they did not go into a second career, is that not true?

Mr. TINSLEY. That is true. One of the big concerns of many organizations today, even outside the Government, is the problem of the size of the work force and the amount that the work force will be able to produce in terms of maintaining the balance of society.

Mr. CHAPPELL. If you pursued this through the social security programs and through the welfare programs, at least in theory there would come a time when we would have too few people working to produce enough to pay enough taxes to pay for all the rest, is that not right?

Mr. TINSLEY. You could carry it to that extent, yes, sir.

Mr. CHAPPELL. There are at least a few nations that have experienced disaster because of that approach, are there not?

Mr. TINSLEY. I understand this has happened in a few instances in Europe.

Mr. CHAPPELL. Thank you, sir.

Are there further questions?

If not, thank you very much, Mr. Tinsley. You have been most helpful.

Mr. TINSLEY. Thank you, Mr. Chairman.

(The following information was furnished, in response to the request of the committee, by Mr. Tinsley:)

The following tables show the factors used by the Board of Actuaries in their valuation of the CSR system. Records on 10% of the active employees and all of the retirees are maintained by the Commission. This data includes age, sex, service and salary or annuity being paid. Each employee or annuitant is projected from the current date to obtain the probability of receiving a payment from the Fund in each year until he or his survivors are deceased. The total result is the expected payment from the Fund for each year. The amount of salary is also obtained for each year and the present value of both the series of payments and salaries is obtained by discounting the values to the current date at 5% interest.

The excess of the payments over 14% of salary and the Fund size is the unfunded liability.

In order to obtain the cost of new proposals, any probabilities and any benefit computation which may be affected are changed and the valuation is redone. The difference between the new valuation and the original valuation is the added cost of the proposal.

Termination rates for employee annuitants and Service Retirement

Age	Age retirement		Disability retirement				Female survivors	
	Death only		Death		Non-Death Termination		Death	Remarriage
	Male	Female	Male	Female	Male	Female		
18-----	----	----	----	----	----	----	0.0014	0.0950
19-----	----	----	----	----	----	----	.0014	.0950
20-----	----	----	----	----	----	----	.0014	.0950
21-----	----	----	----	----	----	----	.0014	.0950
22-----	----	----	0.0132	0.0132	.0150	0.0230	.0014	.0950
23-----	----	----	.0132	.0132	.0150	.0230	.0014	.0950
24-----	----	----	.0132	.0132	.0150	.0230	.0015	.0950
25-----	----	----	.0132	.0132	.0150	.0230	.0016	.0950
26-----	----	----	.0132	.0132	.0150	.0225	.0017	.0912
27-----	----	----	.0132	.0132	.0150	.0215	.0018	.0884
28-----	----	----	.0132	.0132	.0150	.0210	.0019	.0846
29-----	----	----	.0132	.0132	.0150	.0205	.0020	.0817
30-----	----	----	.0132	.0132	.0150	.0195	.0020	.0789
31-----	----	----	.0132	.0132	.0150	.0185	.0021	.0751
32-----	----	----	.0132	.0132	.0150	.0175	.0022	.0722
33-----	----	----	.0132	.0132	.0150	.0168	.0022	.0684
34-----	----	----	.0132	.0132	.0150	.0160	.0023	.0653
35-----	----	----	.0132	.0132	.0150	.0153	.0024	.0618
36-----	----	----	.0132	.0132	.0150	.0145	.0025	.0584
37-----	----	----	.0132	.0132	.0150	.0141	.0026	.0551
38-----	----	----	.0132	.0132	.0145	.0128	.0027	.0519
39-----	----	----	.0132	.0132	.0133	.0120	.0028	.0486
40-----	----	----	.0132	.0132	.0123	.0111	.0029	.0456
41-----	----	----	.0137	.0132	.0113	.0103	.0031	.0426
42-----	----	----	.0143	.0132	.0104	.0095	.0032	.0396
43-----	0.0034	0.0022	.0148	.0132	.0093	.0088	.0034	.0366
44-----	.0037	.0025	.0155	.0132	.0087	.0079	.0039	.0338
45-----	.0041	.0026	.0165	.0132	.0079	.0071	.0042	.0321
46-----	.0045	.0029	.0174	.0132	.0072	.0065	.0044	.0286
47-----	.0049	.0033	.0186	.0133	.0064	.0057	.0047	.0262
48-----	.0054	.0035	.0199	.0134	.0058	.0051	.0049	.0238
49-----	.0058	.0037	.0214	.0135	.0052	.0045	.0051	.0218
50-----	.0064	.0041	.0234	.0136	.0045	.0039	.0054	.0199
51-----	.0071	.0043	.0256	.0137	.0039	.0034	.0056	.0181
52-----	.0078	.0047	.0282	.0138	.0034	.0029	.0060	.0160
53-----	.0085	.0048	.0295	.0139	.0029	.0024	.0064	.0147
54-----	.0092	.0051	.0307	.0140	.0024	.0020	.0067	.0134
55-----	.0099	.0053	.0318	.0142	.0020	.0017	.0071	.0121
56-----	.0110	.0056	.0329	.0146	.0017	.0013	.0075	.0109
57-----	.0122	.0059	.0340	.0154	.0014	.0011	.0079	.0099
58-----	.0135	.0065	.0355	.0164	.0011	.0008	.0085	.0088
59-----	.0149	.0070	.0371	.0174	.0009	.0006	.0090	.0079
60-----	.0163	.0076	.0385	.0185	----	----	.0095	----
61-----	.0180	.0084	.0404	.0197	----	----	.0102	----
62-----	.0196	.0090	.0422	.0210	----	----	.0110	----
63-----	.0212	.0098	.0441	.0223	----	----	.0118	----
64-----	.0230	.0105	.0460	.0240	----	----	.0127	----
65-----	.0250	.0113	.0482	.0256	----	----	.0137	----
66-----	.0272	.0122	.0506	.0274	----	----	.0148	----
67-----	.0290	.0132	.0535	.0294	----	----	.0161	----
68-----	.0309	.0143	.0555	.0311	----	----	.0176	----
69-----	.0334	.0154	.0579	.0330	----	----	.0194	----

survivor annuitants, 1970 valuation, Civil
System--Ultimate

[illegible]

Table 8--Rates of separation

Age	Rates of withdrawal					
	1st year	2nd - 3rd years	4th - 6th years	7th - 10th years	11th - 15th years	16th and over years
18--	0.56	-----	-----	-----	-----	-----
19--	.52	0.28	-----	-----	-----	-----
20--	.48	.26	-----	-----	-----	-----
21--	.44	.24	0.10	-----	-----	-----
22--	.40	.22	.10	-----	-----	-----
23--	.36	.20	.10	-----	-----	-----
24--	.32	.19	.10	0.07	-----	-----
25--	.28	.18	.10	.07	-----	-----
26--	.24	.17	.10	.07	-----	-----
27--	.20	.16	.10	.07	-----	-----
28--	.19	.15	.10	.07	0.04	-----
29--	.18	.15	.10	.06	.04	-----
30--	.17	.15	.09	.06	.04	-----
31--	.16	.15	.09	.06	.04	-----
32--	.15	.15	.09	.05	.04	-----
33--	.15	.15	.09	.05	.03	.03
34--	.15	.15	.09	.05	.03	.03
35--	.15	.15	.08	.04	.03	.03
36--	.15	.15	.08	.04	.03	.02
37--	.15	.15	.08	.04	.03	.02
38--	.15	.15	.08	.04	.03	.02
39--	.15	.15	.08	.04	.03	.02
40--	.15	.15	.07	.04	.03	.02
41--	.15	.15	.07	.04	.03	.02
42--	.15	.15	.07	.04	.03	.02
43--	.15	.15	.07	.04	.03	.02
44--	.15	.14	.07	.04	.03	.02
45--	.15	.14	.07	.04	.03	.01
46--	.15	.13	.07	.04	.03	.01
47--	.15	.13	.07	.04	.03	.01
48--	.15	.12	.07	.04	.03	.01
49--	.15	.12	.06	.04	.03	.01
50--	.15	.11	.06	.03	.02	.01
51--	.15	.11	.06	.03	.02	.01
52--	.15	.10	.05	.03	.02	.01
53--	.15	.10	.05	.03	.02	.01
54--	.15	.10	.05	.03	.02	.01
55--	.15	.10	.05	.03	.02	.01
56--	.15	.10	.05	.03	.02	.01
57--	.15	.10	.05	.03	.02	.01
58--	.15	.10	.05	.03	.02	.01
59--	.15	.10	.05	.03	.02	.01
60--	.15	.10	.05	.03	.02	.01
61--	.15	.10	.05	.03	.02	.01
62--	.15	.10	.05	.03	.02	.01
63--	.15	.10	.05	.03	.02	.01
64--	.15	.10	.05	.03	.02	.01
65--	.15	.10	.05	.03	.02	.01
66--	.15	.10	.05	.03	.02	.01
67--	.15	.10	.05	.03	.02	.01
68--	.15	.10	.05	.03	.02	.01
69--	.15	.10	.05	.03	.02	.01
70--	.15	.10	.05	.03	.02	-----
71--	-----	.10	.05	.03	.02	-----
72--	-----	.10	.05	.03	.02	-----
73--	-----	-----	.05	.03	.02	-----
74--	-----	-----	1.00	-----	-----	-----

from active service--Males

Rates of involun- tary sep- aration	Rates of death	Rates of dis- ability	Rates of retirement years of service		Annual rates of salary increase
			less than 12	More than 11	
----	0.0010	----	----	----	1.040
----	.0010	----	----	----	1.040
----	.0010	----	----	----	1.040
----	.0010	----	----	----	1.040
----	.0010	0.0004	----	----	1.040
----	.0010	.0004	----	----	1.040
----	.0010	.0005	----	----	1.040
----	.0010	.0005	----	----	1.040
----	.0010	.0006	----	----	1.039
----	.0010	.0006	----	----	1.038
----	.0010	.0007	----	----	1.037
----	.0010	.0008	----	----	1.036
----	.0010	.0009	----	----	1.035
----	.0010	.0010	----	----	1.034
----	.0010	.0012	----	----	1.033
----	.0011	.0014	----	----	1.032
----	.0011	.0017	----	----	1.031
----	.0012	.0020	----	----	1.030
----	.0013	.0023	----	----	1.029
----	.0015	.0026	----	----	1.028
----	.0016	.0029	----	----	1.027
----	.0018	.0033	----	----	1.026
----	.0019	.0037	----	----	1.025
----	.0021	.0041	----	----	1.024
----	.0023	.0046	----	----	1.023
0.010	.0025	.0050	----	----	1.022
.010	.0027	.0055	----	----	1.021
.010	.0030	.0060	----	----	1.020
.010	.0034	.0065	----	----	1.019
.010	.0036	.0070	----	----	1.018
.010	.0040	.0076	----	----	1.017
.010	.0043	.0083	----	----	1.016
.010	.0048	.0091	----	----	1.015
.010	.0052	.0100	----	----	1.014
.010	.0057	.0110	----	----	1.013
.010	.0063	.0124	----	----	1.012
.010	.0068	.0140	----	----	1.011
.010	.0073	.0159	----	0.250	1.010
.010	.0080	.0182	----	.160	1.009
.010	.0086	.0207	----	.150	1.008
.010	.0093	.0232	----	.150	1.007
.010	.0101	.0258	----	.160	1.006
----	.0108	.0285	----	.210	1.005
----	.0115	.0313	----	.190	1.005
----	.0122	.0342	0.060	.180	1.005
----	.0130	.0377	.050	.180	1.005
----	.0138	.0420	.060	.190	1.005
----	.0146	.0470	.110	.230	1.005
----	.0158	.0528	.090	.220	1.005
----	.0168	.0589	.090	.220	1.005
----	.0179	.0653	.100	.230	1.005
----	.0194	.0720	.100	.620	1.005
----	.0210	.0790	.110	1.000	1.005
----	.0229	.0863	.120	----	1.005
----	.0249	.0940	.130	----	1.005
----	.0270	.1020	.140	----	1.005
----	.0295	----	1.000	----	----

Table 9--Rates of separation

Age	Rates of withdrawal					
	1st year	2nd - 3rd years	4th - 6th years	7th - 10th years	11th - 15th years	16th and over years
18--	0.40	----	----	----	----	----
19--	.40	0.20	----	----	----	----
20--	.40	.20	----	----	----	----
21--	.40	.20	0.20	----	----	----
22--	.40	.20	.20	----	----	----
23--	.40	.20	.19	----	----	----
24--	.40	.20	.18	0.15	----	----
25--	.40	.20	.17	.14	----	----
26--	.40	.20	.16	.14	----	----
27--	.40	.20	.15	.13	----	----
28--	.40	.19	.14	.13	0.10	----
29--	.40	.18	.13	.12	.10	----
30--	.40	.17	.12	.11	.09	----
31--	.40	.16	.11	.11	.09	----
32--	.40	.15	.10	.10	.09	----
33--	.36	.14	.09	.09	.08	0.05
34--	.32	.13	.09	.09	.08	.05
35--	.28	.12	.08	.08	.08	.04
36--	.24	.11	.08	.08	.07	.04
37--	.20	.10	.07	.07	.07	.04
38--	.20	.10	.07	.07	.06	.03
39--	.20	.10	.07	.06	.06	.03
40--	.20	.09	.06	.06	.05	.03
41--	.20	.09	.06	.05	.05	.02
42--	.20	.09	.06	.05	.05	.02
43--	.20	.09	.06	.05	.05	.02
44--	.20	.09	.06	.05	.04	.02
45--	.20	.08	.06	.04	.04	.02
46--	.20	.08	.06	.04	.03	.02
47--	.20	.08	.06	.04	.03	.02
48--	.20	.08	.06	.04	.03	.02
49--	.20	.08	.06	.04	.03	.02
50--	.20	.07	.05	.03	.03	.02
51--	.20	.07	.05	.03	.03	.02
52--	.20	.07	.05	.03	.03	.02
53--	.20	.07	.05	.03	.03	.02
54--	.20	.07	.05	.03	.03	.02
55--	.20	.06	.05	.03	.03	.01
56--	.20	.06	.05	.03	.03	.01
57--	.20	.06	.05	.03	.03	.01
58--	.20	.06	.05	.03	.03	.01
59--	.20	.06	.05	.03	.03	.01
60--	.20	.06	.05	.03	.03	.01
61--	.20	.06	.05	.03	.03	.01
62--	.20	.06	.05	.03	.03	.01
63--	.20	.06	.05	.03	.03	.01
64--	.20	.06	.05	.03	.03	.01
65--	.20	.06	.05	.03	.03	.01
66--	.20	.06	.05	.03	.03	.01
67--	.20	.06	.05	.03	.03	.01
68--	.20	.06	.05	.03	.03	.01
69--	.20	.06	.05	.03	.03	.01
70--	.20	.06	.05	.03	.03	----
71--	---	.06	.05	.03	.03	----
72--	---	.06	.05	.03	.03	----
73--	---	---	.05	.03	.03	----
74--	---	----	1.00	----	----	----

from active service--Females

Rates of involuntary separation	Rates of deaths	Rates of disability	Rates of retirement years of service		Annual rates of salary increase
			Less than 12	More than 11	
----	0.0005	-----	----	----	1.040
----	.0005	-----	----	----	1.040
----	.0005	-----	----	----	1.040
----	.0005	-----	----	----	1.040
----	.0005	0.0008	----	----	1.040
----	.0005	.0009	----	----	1.040
----	.0005	.0009	----	----	1.040
----	.0005	.0010	----	----	1.040
----	.0006	.0010	----	----	1.039
----	.0006	.0011	----	----	1.038
----	.0007	.0012	----	----	1.037
----	.0007	.0013	----	----	1.036
----	.0007	.0014	----	----	1.035
----	.0008	.0016	----	----	1.034
----	.0008	.0017	----	----	1.033
----	.0008	.0019	----	----	1.032
----	.0008	.0021	----	----	1.031
----	.0008	.0025	----	----	1.030
----	.0009	.0030	----	----	1.029
----	.0009	.0035	----	----	1.028
----	.0010	.0039	----	----	1.027
----	.0010	.0043	----	----	1.026
----	.0011	.0046	----	----	1.025
----	.0011	.0050	----	----	1.024
----	.0011	.0053	----	----	1.023
0.015	.0012	.0057	----	----	1.022
.015	.0014	.0062	----	----	1.021
.015	.0015	.0068	----	----	1.020
.015	.0017	.0075	----	----	1.019
.015	.0019	.0084	----	----	1.018
.015	.0020	.0093	----	----	1.017
.015	.0021	.0103	----	----	1.016
.015	.0023	.0113	----	----	1.015
.015	.0025	.0124	----	----	1.014
.015	.0026	.0135	----	----	1.013
.015	.0027	.0146	----	----	1.012
.015	.0029	.0158	----	----	1.011
.015	.0030	.0171	----	0.290	1.010
.015	.0032	.0185	----	.200	1.009
.015	.0034	.0200	----	.180	1.008
.015	.0037	.0217	----	.180	1.007
.015	.0040	.0237	----	.190	1.006
----	.0043	.0261	----	.260	1.005
----	.0048	.0289	----	.200	1.005
----	.0051	.0319	0.080	.220	1.005
----	.0056	.0351	.060	.190	1.005
----	.0060	.0385	.070	.180	1.005
----	.0064	.0420	.120	.230	1.005
----	.0070	.0457	.100	.210	1.005
----	.0076	.0495	.100	.200	1.005
----	.0081	.0535	.130	.220	1.005
----	.0088	.0576	.140	.610	1.005
----	.0096	.0619	.150	1.000	1.005
----	.0106	.0664	.160	----	1.005
----	.0118	.0710	.170	----	1.005
----	.0242	.0758	.180	----	1.005
----	.0266	----	1.000	----	----

TABLE A-3.—Employee annuitants added to the retirement roll during the fiscal year ended June 30, 1969

Provision under which retired	Number added to the roll			Total annuities (monthly)		Type of annuity			Average survivor annuity (monthly)	Average age in 1969	Average service (years)	Number with Federal employees' group life insurance
	Total	Men	Women	Amount	Average	Life only	Life, plus survivor annuity					
							Widows or Widowers	Other				
RETIRED UNDER PROVISIONS IN EFFECT PRIOR TO AMENDMENTS BY PUBLIC LAW 854												
Disability.....	4	2	2	\$367	\$92	4	.....	.....	.....	\$1,232	55.2	10.8
Optional, 15-29 years' service, age 62.....	2	2	.....	195	98	1	.....	1	.....	527	83.5	19.0
5 years' service, immediate annuity.....	6	3	.....	286	48	6	.....	.....	.....	155	83.0	11.2
5 years' service, deferred annuity.....	2,538	1,752	786	138,740	55	2,538	.....	.....	.....	1,414	63.7	11.7
Involuntary, 25 years' service.....	1	.....	.....	175	175	1	.....	.....	.....	892	73.0	25.0
Members of Congress.....	3	3	.....	767	256	.....	.....	3	.....	11,689	61.7	12.3
Transferred from other systems.....	12	10	2	565	47	12	.....	.....	.....	2,637	62.6	9.1
Total.....	2,566	1,773	793	141,095	55	2,562	4	.....	142	1,427	63.8	11.7
RETIRED UNDER PROVISIONS AS AMENDED BY PUBLIC LAW 854												
Mandatory, 15 years' service, age 62.....	21	16	5	\$8,967	\$427	8	13	.....	.....	\$10,236	62.9	25.8
Mandatory, 15 years' service, age 70.....	2,597	1,735	862	838,349	323	1,049	1,532	16	.....	7,293	71.2	2.487
Disability.....	15,744	11,880	3,864	3,857,600	245	4,246	11,498	.....	.....	5,216	53.5	18.8
Optional, 30 years' service, age 55.....	5,790	5,006	784	2,871,353	496	1,186	4,596	8	.....	279	57.7	33.0
Optional, 30 years' service, age 60.....	6,006	5,025	981	3,226,129	537	1,300	4,685	21	.....	9,714	64.6	35.8
Optional, 20-29 years' service, ages 60 and 61.....	4,679	3,124	1,555	1,501,378	321	1,621	3,044	14	.....	7,556	61.4	4.357
Optional, 12-29 years' service, age 62.....	12,480	7,900	4,580	3,247,392	260	4,740	7,707	33	.....	61,176	66.0	22.0
Optional, 20 years' service, age 50.....	498	481	17	288,983	580	43	453	2	.....	11,579	56.9	28.3
5 years' service, immediate annuity.....	1,001	630	371	80,329	80	358	639	4	.....	3,026	66.3	8.6
5 years' service, deferred annuity.....	1,465	712	753	189,364	129	552	910	3	.....	3,443	63.0	14.8
Involuntary, 20 years' service, age 50.....	850	598	252	229,111	270	236	612	2	.....	6,279	55.2	22.2
Involuntary, 25 years' service.....	1,423	1,085	338	560,459	394	388	1,031	4	.....	220	53.5	27.2
Members of Congress.....	34	33	1	43,328	1,274	5	29	.....	645	27,625	67.2	24.1
Total.....	52,588	38,225	14,363	16,942,742	322	15,732	36,749	107	186	6,925	60.3	24.0
Grand total.....	55,154	39,998	15,156	17,083,837	310	18,294	36,753	107	186	6,969	60.5	23.5

Mr. CHAPPELL. Our next witness is Mr. Carl K. Sadler, legislative director, American Federation of Government Employees, accompanied by James H. Lynch, assistant legislative director.

STATEMENT OF CARL K. SADLER, LEGISLATIVE DIRECTOR, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY JAMES H. LYNCH, ASSISTANT LEGISLATIVE DIRECTOR

Mr. SADLER. Thank you, Mr. Chairman.

First of all, let me express Mr. Griner's regret at not being able to appear before the subcommittee this morning. Mr. Griner has had a death in his family and had to leave town today.

For the record, Mr. Chairman, my name is Carl K. Sadler. I am legislative director for the American Federation of Government Employees. With me is Mr. James H. Lynch, assistant director.

The American Federation of Government Employees, which represents over 650,000 Federal employees in exclusive recognition units has always been interested in legislation which would improve the retirement system for the Federal civil service. We feel that dedicated, career employees are due no less than a just retirement system. In the interests of justice such a system must meet the pressures and changing needs of the times.

We are grateful to Mr. Dulski, along with Mr. Waldie—the distinguished chairman of this subcommittee—and Mr. Hillis, for introducing H.R. 9303; Mr. Daniels for introducing H.R. 1266; Mr. Scott for introducing H.R. 3592; and Mr. Hogan for introducing H.R. 7403. We feel that these bills are indeed moves toward bringing the civil service retirement system up to date and more in line with the demands of the times.

H.R. 1266 changes section 8336 (a) and (b), title 5, United States Code, to allow employees whose age plus length of service aggregates the sum of at least 80 years entitlement to an annuity. Presently this section limits such an entitlement to employees who have attained the age of 55 and have 30 years of service or who are 60 with 20 years of service. We endorse this measure as providing greater flexibility to the retirement system. We would go even further and support legislation which would allow voluntary retirement when an employee has reached age 50 and has 20 years of service. We fully endorse H.R. 3592's provision for entitlement to annuity after 30 years of service regardless of age.

We feel that it is in the interests of all employees that the retirement system be made more equitable with regard to age and time limitations. Many older employees would like to be able to retire while their health allows them to enjoy life more fully. Many need to undertake pursuits of a less taxing nature than full-time employment. On the other end of the spectrum allowances for earlier retirement would help alleviate the pressures of the great influx into the labor market of young persons out of our high schools and colleges.

While we support the change in age and service limitations contained in H.R. 1266, we object to the provision for a reduction in annuity for those who retire while under age 55. We feel that such a penalty for retiring in advance of age 55 is uncalled for. Retirees under 55 would, in effect, be helping to vacate very much needed jobs and therefore making a great contribution to the general welfare. Furthermore, under the 80-year formula, their length of service would be as

long and probably longer than that of their older counterpart. A reduction in their annuity simply because of their lower age is inequitable and unjust and we feel that H.R. 1266 would be vastly improved if this provision found in section (c) were eliminated.

In recent years many Federal agencies have undergone reductions in force in economy efforts. With the President's August 15, 1971, message on the economy came the announcement of a further reduction in Federal employment to amount to 5 percent. These facts make the provision, found in H.R. 1266 and found also as the main feature of H.R. 9303, for entitlement to an annuity after 25 years of service (regardless of age) or at age 50 after 20 years of service by employees whose "agency is undergoing a major reduction in force, as determined by the Commission" most relevant and worthwhile.

However, again we would like to see the provision in these bills for reduced annuities for those retiring under age 55 changed. Considering the fact that such an employee who is retiring in a reduction-in-force situation is indeed protecting another person's job it seems to me that he is performing a service to his fellow employee (and indeed the general economy) and that being forced to suffer a reduced annuity is totally unwarranted and may lead to his not choosing or even being financially able to retire.

Another way we would like to improve H.R. 1266, and H.R. 3592, would be to incorporate language to change section 8336(c), title 5, United States Code. This section now stipulates that certain employees engaged in hazardous duty occupations are eligible to retire after 20 years of service at age 50 and are "entitled to an annuity if the head of his agency recommends his retirement and the Civil Service Commission approves that recommendation.

On this subject I wish to reiterate what Mr. Griner said while appearing before this subcommittee on June 14 of this year. The employees who are covered under this section are primarily engaged in the investigation, apprehension, and detention of individuals suspected or convicted of offenses against the criminal laws of the United States. In the pursuit of their duties they are called upon daily to serve their country under hazardous conditions.

We object to the concept that these men and women are allowed to retire earlier than their fellow Federal employees because they "are no longer capable of carrying on efficiently, and their replacement by younger men would improve the service." These people have served their country well, risking both life and limb. They should not be regarded as charity cases—as old, useless horses being put out to pasture.

We ask that all features of the present law requiring both the agency head and the Civil Service Commission to determine, before authorizing the retirement, that in fact the individual is no longer capable of carrying on efficiently and that his replacement by a younger man would improve the service be removed. We request that upon application by the eligible employee his request for retirement must be honored and that the agency head and the Civil Service Commission have no other functions than to take note of the application for retirement and to determine whether the applicant is eligible according to his record and length of service. No determination should be made regarding his efficiency or whether any other person could perform the job better, be that other person younger, older, or the same age.

The law should be simple—if the man qualifies by age and years of service, he should be given his annuity without any further action or comment by his agency. In the interests of human dignity and human respect this present branding of loyal employees as inefficient should be eliminated.

In conclusion let me say that we endorse all three bills before this subcommittee as being steps toward making the civil service retirement system more responsive to the needs of both today's Federal employee and the general economy. We endorse H.R. 1266, H.R. 3592, H.R. 9303 and H.R. 7403 as being meritorious bills. However, we would be happier if H.R. 1266 and H.R. 3592 redefined section 8336(c), title 5, United States Code regarding early retirement as I have explained above. We also feel that H.R. 1266 and H.R. 9303 would be much better bills if their provisions for reduced annuities for those retiring under the age of 55 under the 80-year formula and other situations envisaged by these bills were removed.

Finally, let me express my gratitude to this subcommittee for your courtesy in allowing me to testify in behalf of these bills.

Mr. CHAPPELL. Thank you, Mr. Sadler.

Mr. Hillis?

Mr. HILLIS. I have no questions. I appreciate very much your statement.

Mr. CHAPPELL. Mr. Scott?

Mr. SCOTT. Mr. Sadler has made a very fine presentation here. It is certainly always good to hear from the American Federation of Government Employees. I myself am in general agreement with the comments that he has made.

Thank you.

Mr. CHAPPELL. Mr. Sadler, you mentioned at the top of page 4 of your testimony: "We ask that all features of the present law requiring both the agency head and the Civil Service Commission to determine, before authorizing the retirement, that in fact the individual is no longer capable of carrying on efficiently and that his replacement by a younger man would improve the service, be removed."

Would you refer to the section of the law that you are talking about which requires that?

Mr. SADLER. I am referring to the section of the law which states basically what we have reiterated here. We think that language ought to be removed which requires the agency to authorize this on the basis of the language of that section, which in essence really says the man is no longer efficient and no longer capable of carrying out his duties.

Mr. CHAPPELL. I wonder if you are referring to section 8336, which is the section on immediate retirement, where it says, in part, and I assume this must be the part you are talking about: "The head of the agency and the Commission shall consider fully the degree of hazard to which the employee is subjected in the performance of his duties instead of the general duties of the class of the position held by the employee."

Reading on through the whole section, I do not see the requirement about which you speak.

Mr. SADLER. Mr. Chairman, we are speaking here of the law concerning hazardous duty retirement, which states—I am not sure just where, because I do not have it before me—that because employees are

no longer capable of carrying on efficiently, their replacement by younger men would improve the service. We are referring to making the statement that a man is incapable or inefficient in doing his duties in order to let him retire.

Mr. CHAPPELL. I want to be sure we are all in agreement on what the law says. For that purpose, would you prepare for the record the section and the exact wording, because for the life of me I cannot get that interpretation from the law.

Mr. SADLER. All right, I will be happy to, Mr. Chairman.

Mr. CHAPPELL. Assuming that is the law, then you would suggest that it be changed; and if it is not the law, then you are satisfied with the present wording in that respect, are you not?

Mr. SADLER. That is right.

(The information follows:)

The material to which reference was made in the testimony appears as Subchapter S9, Optional Retirement, Federal Personnel Manual Supplement 831-1, Instruction 16, April 30, 1969, pages 27 and 28. These follow hereunder. Especially relevant is S9-2c, "Agency head's recommendation."

SUBCHAPTER S9. OPTIONAL RETIREMENT

S9-1. GENERAL ELIGIBILITY

a. Requirements.—An employee under the retirement system is eligible for optional retirement on an immediate annuity if:

(1) He has been employed under the retirement for at least one year within the 2-year period immediately preceding the separation on which the annuity is based, and age and service conditions:

- (a) Age 62 and 5 years of civilian service, or
- (b) Age 55 and 30 years of creditable service, including 5 years of civilian service, or
- (c) Age 60 and 20 years of creditable service, including 5 years of civilian service.

S9-2. SPECIAL ELIGIBILITY FOR LAW ENFORCEMENT EMPLOYEES

a. Requirements.—An employee under the retirement system is eligible for voluntary retirement on an immediate annuity under the special provision for law enforcement personnel upon meeting the following conditions:

(1) Employment under the retirement system for at least one year within the 2-year period immediately preceding the separation on which annuity is based.

- (2) Age 50 or over.
- (3) At least 20 years of service in law enforcement work, as described below.
- (4) Actual service in a law enforcement position for at least one year immediately preceding retirement.
- (5) Recommendation for retirement by head of agency.
- (6) Individual hazard statement by head of agency.
- (7) Approval by the Commission.

b. Purpose of special provision.—The legislative history of this provision shows that its purpose is to allow the earlier retirement of certain employees whose duties are primarily the investigation, apprehension, or detention of persons suspected or convicted of offenses against the criminal laws of the United States and who, because of the physical requirements of their positions and the hazardous activities involved, are no longer capable of carrying on efficiently, and their replacement by younger men would improve the service. A more generous method of computing the amount of annuity is provided, not as a special reward for the type of service involved, but rather because a more liberal formula is usually necessary to make the earlier retirement (with resultant shorter service) economically possible.

c. Agency head's recommendation.—(1) The agency head's recommendation for retirement under this provision is discretionary, and the law does not require him to recommend retirement merely because the employee meets the age and service requirements. He should exercise his discretion to recommend favorably only when he determines that the public interest would be best served by the employee's retirement with annuity computed under the more generous formula.

An agency head's recommendation should not be made in any case in which the proper alternative action is removal on charges or investigation of possible misconduct on the part of the employee, or when the employee resigns rather than face charges of this kind or investigation.

(2) Each annuity application submitted by an employee must be accompanied by an official statement that the employee's retirement is recommended by the head of the agency involved. The statement also must show that the employee's duties are as indicated in paragraph b preceding, and outline the degree of hazard to which he is subjected in the performance of his duties.

d. Commission review and approval. (1) The Commission will review carefully each claim and withhold its approval unless it is clear that the retirement of the applicant is consistent with the intent of Congress in enacting this provision. An application is not approved by the Commission, for example, unless the applicant has rendered actual service in a position involving primarily the cited duties for at least one year immediately preceding his proposed retirement. Accordingly, if an employee has left the position to enter military service, or civilian Federal employment involving different duties, or service outside the Government, he must return to and perform one year's actual service in a position as described before claim for annuity under this provision may be favorably considered. Retransfer to this position should be governed by considerations of improving the service and not with the view of securing this special retirement privilege for the employee.

(2) This special provision covers any employee whose duties in connection with the detention of persons suspected or convicted of Federal criminal offenses require his frequent direct contact with these persons in their detention, direction, supervision, inspection, training, employment, care, transportation, or rehabilitation. When the applicant's annuity title is dependent upon his being required to have frequent direct contact with persons in detention, the fact of the contact must be clearly established. In this situation, the agency's statement must indicate—

- (a) Where the employee actually works, i.e., where his basic position is located,
- (b) The frequency of prisoner contacts (daily, weekly, etc.),
- (c) The average duration of these contacts
- (d) The type of contact (training, care rehabilitation, etc.) and any other pertinent available information bearing on the matter.

S9-3. VERIFICATION OF SERVICE

Whenever an employee requests optional retirement and it is necessary to verify prior service in other agencies to determine whether the employee is eligible to retire optionally, the agency sends a letter to the Bureau of Retirement, Insurance, and Occupational Health, Claims Division, United States Civil Service Commission, Washington, D.C. 20415, listing the unverified service. The Civil Service Commission obtains verification of the prior service and forwards it to the requesting agency.

S9-4. PROCEDURE

a. Application for retirement; individual retirement record.—An employee who wishes to apply for optional retirement fills out Standard Form 2801, Application for Retirement, and files it with the appropriate office of his agency. The employee's Individual Retirement Record, Standard Form 2806, must be completed and forwarded to the Civil Service Commission as provided in subchapter S22, together with the application for retirement. An application for optional retirement under the law enforcement provision submitted in advance of separation should be accompanied by a photocopy of the employee's SF 2806.

b. Advice to employee.—The agency should give every assistance to the employee in completing his application by explaining in detail the types of annuity available to him, helping him to select the type best suited to his circumstances, explaining the effect of making deposit or redeposit, and getting a statement from the employee to accompany his application showing all unverified prior service, if any, with other agencies.

Mr. CHAPPELL. As I understand your testimony, Mr. Sadler, you would endorse all of these bills. There is another one before the committee, or at least another one introduced by Mr. Brasco, which I believe is H.R. 7647, which would permit voluntary retirement on full annuity after 20 years of service, regardless of age. I assume you would be in favor of that one, also.

Mr. SADLER. I would assume so, Mr. Chairman. However, I have not studied the bill. I would hope the committee, in the absence of any testimony from the AFGE in that regard, would give every consideration to the bill.

Mr. CHAPPELL. Do you think the 650,000 employees that you represent would welcome paying an additional one-half percent deduction, 7½ percent of their salaries, to provide earlier retirement opportunities?

Mr. SADLER. If the cost were sufficient to warrant the increase of one-half percent based on contributions by both the Government and the individual, yes, I think all of our people would be most happy to share that additional burden.

Mr. CHAPPELL. I believe you were here when we pursued the matter of longevity a little while ago.

Mr. SADLER. Yes.

Mr. CHAPPELL. Is there not some point at which we have to draw the line on retirements by age and by length of service if we are to maintain a reasonable stability in the economy of this country?

Mr. SADLER. I believe Mr. Tinsley pointed out that retirement for these individuals is provided for under the system itself. We are prepared to pay for this retirement on the basis of contributions by both the individual and the Government. Therefore, in our opinion, it will not get out of hand to the degree that the chairman indicated.

Mr. CHAPPELL. I am not saying it will. Certainly, your people and your leadership have been most helpful in trying to reach a good and proper balance. The only question I raise is where. If we assume the statistics which I recited earlier are in fact true, then it seems that while we are trying to improve one situation we are sometimes making another one worse.

For example, if we assume that the life expectancy for persons who went to work in 1940 was 54.1, and that now it is 70.5, we must recognize that something is causing people to live longer, and one of those things, we must assume, is better health. With it we must assume that the individual's capacity to maintain high levels of intelligence and to put that intelligence into active service for the country will exist. We must realize that if we keep lowering the retirement age and increasing benefits, there will come a time when we have either to prepare all of our people for a second career or to find some other way of solving this thing.

Am I not correct in that? Does that make sense to you at all?

Mr. SADLER. It makes a great deal of sense, Mr. Chairman. I think Mr. Hogan made a good point this morning when he stated that everybody has a different retirement age. We ought to provide early retirement for those who wish to take advantage of it, and at the same time, hopefully, the administration will see its way clear to grant the proper pay, comparability so to speak, as the Congress has indicated they should pay, so these people will not have to consider taking retirement so they can go out and get another job, putting the two of them together to come up with enough money to make a living.

Mr. CHAPPELL. Perhaps that is what I am pursuing. Are we about to arrive at that place when we will have to help the retiree prepare for a second career in order to maintain the status in life he wishes? If we are, then we have a new problem facing us; have we not?

Mr. SADLER. If this is the case; yes.

Mr. CHAPPELL. If I understand, by giving shorter working hours, more vacation time and more retirement over the years, we have, first of all, made life more enjoyable for the individual and put him on a higher level in life. Also, by retiring older people to give the younger people an opportunity to come into the work force, we have thereby helped to eliminate the problems of unemployment. If we shoot the retiree back into a second career, then we could be compounding our problem unless we either put the retirement so much that there would be no interest in a second career, or we prepare him for a second career.

Is it not possible because of the increase in longevity that we will at some time come to that point?

Mr. SADLER. I am sure that is possible, Mr. Chairman. In my opinion, in the event the need becomes great enough, your work force will be greater. If your population continues to increase, you will have more work force and more people retiring. I really do not think you will have that much of a change from the present retirement ratio to employees.

Mr. CHAPPELL. How many AFGE employees begin a second career, if you know?

Mr. SADLER. I do not have that information.

Mr. CHAPPELL. Have you any way of getting those statistics for me?

Mr. SADLER. I doubt that I would, Mr. Chairman, but I will be happy to check and see.

Mr. CHAPPELL. I would appreciate it if you would.

Thank you very much, Mr. Sadler.

Mr. SADLER. Thank you, Mr. Chairman.

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

Mr. Jaspan, we are happy to have you before the committee today.

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

Mr. JASPAN. Thank you, Mr. Chairman.

I do not have a prepared statement. My name is Daniel Jaspan. I am legislative representative of the National Association of Postal Supervisors.

Our association is composed of about 35,000 postal supervisors in the United States, of course including every State, Alaska and Hawaii.

We have had resolutions adopted at our conventions over the years approving the principles of both the Scott bill and the Daniels bill. Our conventions have gone strongly on record in favor of that.

In the past we have found it very difficult to have changes made in the retirement laws, mainly because of the unfunded liability which was growing constantly, and there was no way to keep it from growing. That was taken care of in recent years, so the unfunded liability will not increase in spite of that liberalization.

We also would ask the committee to restudy the present formula of $1\frac{1}{2}$ percent, $1\frac{3}{4}$ percent and 2 percent, and either come up with a straight 2-percent formula for computing annuities or, hopefully, take the $2\frac{1}{2}$ percent which applies to Members of Congress. Reducing the formula to a straight 2 percent would only mean that instead of

working 41 years and 11 months to reach the maximum 80 percent, it would take an employee 40 years to get the maximum.

We fully endorse H.R. 1266 with the combination 80 figure, which has been one of our objectives. We also endorse the part of it that permits an agency, where there is a reduction in force, to have the benefit of using involuntary separation formula for those who otherwise qualify for a separation. This would help save some jobs for the employees who are caught in the reduction in force.

We would like to see an amendment to H.R. 1266, in the last paragraph, by eliminating the reduction below age 55. This paragraph is a step in the right direction by decreasing the reduction from 2 percent to 1 percent a year, but we believe that, similar to social security, there should be no reduction in the annuity to provide for survivor benefits or for an earlier retirement.

We testified in 1968 on H.R. 10968, a bill to update civil service retirement. We listed 10 objectives. Of those objectives, five have been realized by now.

One of them was for the Government to contribute a larger amount.

Another was to reduce the high five to a high two. That was not achieved, but it was reduced to high three.

Another objective was to remove the dependency clause for a widower to receive a survivor annuity if a wife dies in the service. Also, to permit a new spouse as survivor annuitant if the first spouse predeceased the employee. These were realized in whole or in part.

We also mentioned at the time some other objectives we believe should be taken into consideration, such as changing the computation factor to 2½ percent or at least 2 percent; to eliminate the deduction for survivor annuity; and to permit optional retirement after 30 years with the option to be exercised by the employee only, with no reduction in annuity.

For this reason, the last reason I mentioned, we fully endorse Mr. Scott's bill, H.R. 3592, which would permit the objective we have had since long before I started in this position almost 16 years ago. The 30-year optional retirement has been a very long-time objective of our association.

Mr. Scott made an excellent point in his testimony when he testified, for example, that if a person retired with 30 years' service, his annuity would be only 56¼ percent. Very few people could afford to retire on that.

On the other hand, as Mr. Scott pointed out, it would help those who are not eligible for disability but who cannot take the pressure of mechanization or modernization, and so forth. They could not be eligible for disability but could go out with 30 years' service. We think it is a real step in the right direction.

Another point was brought out when Mr. Tinsley testified. The Government average entrance age of 31 would mean, even with the 30-year optional retirement, many people would not be able to retire before age 60 or 61.

One of the things we are concerned about, Mr. Chairman, if either bill is enacted, as we hope, is that it will not apply to the U.S. Postal Service since it is a separate entity now, a semicorporation. We would like to see any bill approved by the committee contain a section that whatever is approved by Congress will apply to the employees in the U.S. Postal Service. Even though it is understood the retirement

would remain under Congress as far as the Postal Service is concerned, we would feel a lot better if it were spelled out so all people would be covered who are in the Postal Service.

Mr. Chairman, we appreciate the opportunity of appearing before the committee and presenting our testimony, and we hope that there will be further liberalization of the retirement laws.

Before I conclude, I would like to say that every time a bill like this is considered by Congress, we have actuarial figures and the fears of the administration that there will be a great exodus from Government employment. I remember well when a proposal was made and approved by Congress that there should be optional retirement at age 55 with 30 years' service. Before the bill was approved, the administration presented figures on the great exodus, but the exodus was never realized, for the simple reason that most people could not afford to retire at age 55 with 30 years' service. They would not be able to get along.

Thank you very much for the opportunity to appear.

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

Mr. Hillis?

Mr. HILLIS. I appreciate hearing your testimony, Mr. Jaspán.

Summarizing the last part of it, you are asking the committee to treat the postal employees the same as any other Federal employee as far as pension benefits and retirement benefits?

Mr. JASPAN. That is right.

Mr. CHAPPELL. Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Jaspán, you were speaking of the computation of the annuity, the first 5 years on the basis of $1\frac{1}{2}\%$, the second 5 years on the basis of $1\frac{3}{4}\%$, and then going to the rate of 2 percent. Why was that formula adopted? Do you recall that? I do not remember why it is just $1\frac{1}{2}\%$ percent for the first 5 years and then $1\frac{3}{4}\%$. Actually, it is a somewhat negligible factor, because it applies for only 5 years and then a second 5 years. Why was that?

Mr. JASPAN. It was an improvement over the old formula, which was a straight $1\frac{1}{2}\%$ percent or 1 percent plus \$25, depending on the earnings of the employee. So, it was a step in the right direction.

We cannot understand why there was such a complicated formula when the straight 2-percent formula would have meant reaching the maximum in 40 years instead of 41 years and 11 months.

Mr. SCOTT. I was wondering if the amount of the annuity could still be uniform, even if it was $1\frac{3}{4}\%$ all the way. I do not understand why it was done with a penalty on the first 5 years and a lesser penalty on the second 5 years. It was just something worked out in committee? Did your organization or did other employee organizations make any recommendation on this?

Mr. JASPAN. We testified on the bill and we asked for a $2\frac{1}{2}\%$ -percent formula, the same as applies to Members of Congress.

Mr. SCOTT. You started talking a few minutes ago about things that had happened in the last few years. Actually, I think the Federal employee, from the viewpoint of retirement, has been treated very kindly. I am thinking of the 30-year retirement. I heard about this in 1934 when there was a gentleman in the place where I was working who wanted to retire but he was not old enough, but he had 30 years of service. He said, "One of these days Congress is going to pass a 30-year retirement bill." This was in 1934.

I think one of these days Congress will pass a 30-year retirement bill. The House has done it once before, as you know, and the Senate did not concur.

You do not have any further enlightenment as to the basis for the $1\frac{1}{2}$ and $1\frac{3}{4}$ and later on the 2-percent formula?

Mr. JASPAN. That was just a compromise formula, as I understand, at the time.

Mr. SCOTT. Thank you, sir.

Mr. CHAPPELL. Mr. Jaspán, speaking of the exodus that you mentioned a minute ago that the administration seemed to be worried about, you seem to think this would not occur; is that right?

Mr. JASPAN. Yes, sir.

Mr. CHAPPELL. If it will not occur, then why are we sitting here listening to the testimony on these bills, because there would not be any need for it unless somebody would take advantage of it, would there?

Mr. JASPAN. I did say there will not be a general exodus, but it will affect a lot of people who want to retire but are not eligible for disability or are not able to stand the pressures of today. That is relatively few, but there should be some provision so they could.

You would be surprised, Mr. Chairman, what a difference it makes in the attitude of the employee when he reaches that plateau of age 55 with 30 years' service. He will do his work, but he is not happy under the pressure. He has reached that plateau and he is not able to take it, in simple language. There are people like that.

Mr. CHAPPELL. Have you any idea what percentage you are talking about, what percentage you think would take advantage of such changes in the law?

Mr. JASPAN. It would be a guess, of course. I do not believe more than 10 percent of those eligible would take advantage of it.

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

Mr. JASPAN. Thank you.

Mr. CHAPPELL. Our next witness is Mr. James Rademacher, President, National Association of Letter Carriers.

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, (AFL-CIO); ACCOMPANIED BY GLENN M. HODGES, DIRECTOR, RETIREMENT DIVISION, NALC; AND J. STANLY LEWIS, ADMINISTRATIVE DIRECTOR AND VICE PRESIDENT, NALC

Mr. CHAPPELL. Mr. Rademacher, I see several people with you. Would you introduce those?

Mr. RADEMACHER. I would be happy to.

On my right is our administrative director, J. Stanly Lewis; also the vice president of our union.

On my left, Mr. Glenn M. Hodges, the director of our retirement division.

Also in the audience are other officers of our union who, like those at the table, are very pleased to participate in the hearing today.

Mr. Chairman and members of the subcommittee, my name is James H. Rademacher and I am president of the National Association of Letter Carriers, located at 100 Indiana Avenue NW., Washington, D.C. We now have close to 220,000 members of which almost 20,000

are retired letter carriers. We have branches in 6,500 cities throughout the United States and its possessions.

We appreciate the opportunity to appear here today to discuss the views of our union on the subject of retirement. I might say at the outset that this subject is of utmost importance to our union and second only to the issue of wages is this extremely important topic of retirement.

We are very much aware of the fact that the postal employees are included in the legislation under consideration by the subcommittee today—unless, of course, this subcommittee were to approve an amendment to delete us, and I gather from the remarks that already have been stated that is not your intention. So the record is clear, at least on this side of the table, that the Postal Reform Act does provide that Postal employees continue under the U.S. Civil Service Retirement Act, which is still in the hands of the U.S. Congress.

In recent years, our members have witnessed improvements in the retirement plans of workers in the private sector, and especially the tremendous gains made in the public sector of States, counties and cities, in the area of retirement benefits. For example, in many cities today municipal employees are permitted to retire after only 20 years of service and at half pay. The rookie letter carrier must pound the pavement for 30 years and be at least 55 years of age to receive approximately 56 percent of his high 3-year average wage.

Before discussing with this subcommittee our views on the legislation under consideration, I would like to take just a moment to point out a gross inequity which continues to exist among almost 1 million U.S. civil service annuitants and survivors.

According to most recent statistics there are approximately 56 percent of those on the retirement rolls who receive less than \$200 monthly. Even more shocking is the fact that almost 30 percent are receiving less than \$100 monthly with 10 percent of all annuitants and survivor annuitants receiving less than \$50 monthly.

It is not my purpose at this time to deplore the glaring statistics because I am certain that the members of this subcommittee have been apprised of the facts as just related. I also want to commend those on this subcommittee and on the full committee who have been instrumental in having enacted over the past several years legislation which would help annuitants and survivors keep up with the soaring cost of living by providing for increases based upon the rise in the Consumer Price Index. Unfortunately, this has proven to be totally inadequate and, therefore, today the National Association of Letter Carriers urges this subcommittee to give serious consideration to reporting out a bill which would contain provisions calling for the following:

First, an increase in all annuities to no less than \$100 monthly.

Second, an immediate increase of 20 percent in all annuities which are less than \$200 monthly.

Third, beyond the \$200 monthly annuity, we would recommend enactment of legislation sponsored by Hon. Robert N. C. Nix in H.R. 5986. This legislation has a graduated increase up to 13 percent dependent upon the amount of annuity presently being received.

The richest Government on earth can certainly do no less than to try to remove as many of its faithful former employees, their widows and children from the level considered to be poverty according to the Bureau of Labor Statistics. I refer to the fact that BLS has indicated

that a moderate budget for a retired couple today ranges from \$317 monthly at Baton Rouge, La., to more than \$400 monthly in New York City. Even with the suggested immediate increase in annuities, there still would remain more than one-half of all U.S. civil service annuitants and survivors who would be below the considered poverty level.

Our union is very pleased that this subcommittee is considering H.R. 1266 which has been sponsored by the very distinguished former chairman of this subcommittee, Hon. Dominick V. Daniels of New Jersey. Representative Daniels has made a most comprehensive study of the U.S. retirement system. He has carefully listened to the views of employees, their unions, representatives, of the Civil Service Commission and other informed and knowledgeable persons. As a result of his diligent review of the present policies and the expressed needs that do exist in the soaring 1970's, Representative Daniels has sponsored most meaningful legislation which would permit Government employees to retire when the service they have rendered plus their attained age aggregates the sum of at least 80 years. We compliment Congressman Daniels on his efforts and his advanced thinking on the important subject of retirement. Likewise, we thank and commend Representative Lawrence Hogan who has introduced H.R. 7403, a companion bill to H.R. 1266.

It is our understanding that this subcommittee also has under consideration today H.R. 3592 and H.R. 9303. Representative William L. Scott sponsors the former bill which allows for retirement following 30 years of service regardless of age. Meanwhile, Chairman Thaddeus J. Dulski has offered even more liberal inducements and incentives in his H.R. 9303 which permits retirement for those who have served for 25 years regardless of age and those at age 50 who have at least 20 years of service. Unfortunately, Chairman Dulski's legislation pertains to only those employees who are involved in a major reduction in force.

Of course, the legislation which is more in tune with what is occurring in some of the high cost areas is H.R. 7647, authored by Representative Frank Brasco. We certainly support this legislation which says 20 years and out, and we would hope that serious consideration could be given to its being included in the deliberations of this subcommittee.

Of immediate concern to our union are three factors which have brought this witness to this hearing today: (1) Now that postal workers are enjoying the opportunity to actually negotiate wages, fringe benefits and working conditions, we have had an opportunity to view some of the success other unions have had at the bargaining table in the area of retirement. For years, the Federal Government had what was considered by many, one of the most liberal of all retirement systems. Suddenly, we find ourselves not the front-runner but rather a sorry "also ran" when we see the supplemental benefits now being enjoyed by workers in the private sector; (2) The U.S. Postal Service has recently invited thousands of postal workers to apply for retirement and has gone so far as to award severance pay to many who complied with this request. Our union feels that this privilege should have been extended throughout the service and not limited to management and higher level workers; (3) Our union is distressed over the continuing unemployment rate which includes 300,000 unemployed veterans of the Vietnam era.

We are, therefore, respectfully requesting that this subcommittee consider an amendment to H.R. 9303 which would permit all postal and other Federal Government employees optional retirement following at least 25 years of service or after becoming age 50 with at least 20 years of service. It is noted that the U.S. Civil Service Commission supports H.R. 9303, undoubtedly because it pertains only to those agencies which are involved in a major reduction in force. Our suggested amendment would grant such benefit to all employees.

We further strongly urge a provision in such legislation which would stipulate that the veteran of Vietnam would have the first opportunity to fill the vacancies created by the retiring Government worker. We estimate that 100,000 postal and other Government workers will take advantage of such liberalization of the retirement system and will provide for jobs which can be filled by at least one-third of the unemployed veterans.

By coincidence those veterans of World War II who decided upon a Federal Government career now would qualify under the 25-year optional retirement plan. Therefore, these World War II veterans would be replaced by the Vietnam veterans under our proposal.

I would like to provide the subcommittee with some information that we have gathered from the Bureau of Labor Statistics and the International Fire Fighters Association. We understand that there has been steady improvement over the past half dozen years with an increase of 8 percent in the number of industries in which there is no age requirement for retirement. We also understand that there are four States which now permit State employees to retire at any age following 25 years of service. Those States are Hawaii, New Jersey, Pennsylvania, and Wyoming. You will recall that New York City has negotiated a 25-year regardless of age agreement which is presently being blocked by the State legislature. Of course, New York City police and firemen, like many others, may retire after 20 years of service. In addition, the State of Maryland permits employees to retire after 30 years of service regardless of age.

In a 5-year old survey of benefits granted firefighters nationwide, we learn that 19 percent of all retirement programs have no age requirements with firefighters being permitted to retire following 25 years of service. In fact, in 28 percent of all cities with more than 100,000 population firefighters may retire at any age after 25 years of service.

In our appearance today, we have not for a moment attempted to minimize or criticize the actions of the House Post Office and Civil Service Committee which has always been sympathetic to the concerns of Government workers relating to retirement. It is time, however, for this committee to consider the shifting winds. Our Nation is on the move and in order to keep it in that direction the benefits granted Government workers must be of a liberal nature and of a competitive nature. The shifting winds tell us that no longer should a career worker who spends a lifetime in working for his Government be required to serve more than 25 years, especially since he is paying for his own annuity. The shifting winds tell us also that there are thousands of loyal citizens who have lost some of their lifetime working for their Government in another way—in Vietnam. These same persons now find themselves among the unemployed and they are relying on help. The amount of help that they can receive is limited but

one of the means toward the object of full employment is the Congress of the United States.

This Congress has the opportunity now to permit optional retirement of those who have worked all of their lives and who have served faithfully for 25 years. By so doing, they will also be aiding those to whom we are indebted—the unemployed Vietnam veterans. We trust that this subcommittee will start the ball rolling toward the 10-strike. We thank this subcommittee as well as the full committee for their continuing concern about the welfare of all of those who are employed by our Government, those who are planning retirement, and those already on the retirement rolls.

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

Mr. Hillis?

Mr. HILLIS. It is nice to see you again, Mr. Rademacher. I enjoyed your statement. I think it is very good.

I see you are going a little bit beyond the scope of some of the bills, as I interpret it, in asking us to take a look at those persons who are presently on retirement and to do something to alleviate their situation.

Mr. RADEMACHER. Yes. Congressman Hillis, I could not sit at this witness table and discuss retirement without calling attention to the plight of the people I referred to in my testimony.

Mr. HILLIS. I am glad you did that. I think it is time Congress looked at the plight of these people, and we should have it called to our attention at every opportunity.

Mr. CHAPPELL. Mr. Scott?

Mr. SCOTT. Mr. Rademacher, I notice near the end of your testimony you say since he is paying for his own annuity. Of course, you are not suggesting that the Government is not paying anything toward the employee's annuity.

Mr. RADEMACHER. No, but the Government employee is paying much more than many workers in the private sector who are now enjoying supplemental retirement benefits at no cost whatsoever. I was just referring to the fact—

Mr. SCOTT. I just thought we should be factual about it. The Government is paying its share of the cost.

Mr. RADEMACHER. There is no question about it.

Mr. SCOTT. On the thought mentioned by Mr. Hillis that you commented on, as I recall the president of the Federation of Retired Federal Employees testified before our subcommittee some months ago and he gave pretty much the same figures, maybe identical figures to those you have on page 2.

I just wonder, if Congress did put a floor under the annuity for retired employees, \$100, as you suggest, would the employees who are now on the payroll be willing to pick up half of that tab, to pay half of it through an increase in deduction from their pay, so again there would be matching contributions, the Government and the employee each paying half?

Mr. RADEMACHER. I assure you they are not.

Mr. SCOTT. Then you are suggesting something, but you are not willing to help pay for it. In other words, you are very liberal with the taxpayers' money, but the employees that you represent—

Mr. RADEMACHER. That is absolutely correct. These people I am talking about worked for the U.S. Government. They did not work for our union.

Mr. SCOTT. Then why are you their champion when you are not willing to pick up any of the tab? You want us to give it to them out of the taxpayers' money. I do not see why you should be riding a white horse up here and saying you do it out of taxpayers' money but don't raise our deduction.

Mr. RADEMACHER. It is a story that is told over and over again, Congressman Scott. I know you in the past have been extremely sympathetic to all retirees. You cannot ask the employees to pay more in a time when the trend is to pay less. And, of course, letter carriers are taxpayers too.

In due time, in future hearings, we will come before this committee in a very sincere and serious attempt to cause the Government to pay the whole cost of the annuity—let the taxpayer pay the whole cost of it, because that is the trend of the times.

We have to get away from this idea that just because you work for the Government you and you alone are supposed to pay half of the cost of the benefits.

Mr. SCOTT. Mr. Chairman, might I say, not in the form of a question, I find it inconsistent to be advocating a program that the witness is not willing to share in.

I would say also I am sympathetic and may well vote for the suggestion that was made by the retired employees to have some ceiling put there, but not because of the testimony of the present witness. He does not enhance my thoughts a bit by suggesting something that he is unwilling to assume part of the cost of.

Thank you, Mr. Chairman.

Mr. CHAPPELL. Mr. Rademacher, let me ask you a series of questions.

On page 7 you make the statement:

The shifting winds tell us that no longer should a career worker who spends a lifetime working for his government be required to serve more than 25 years, especially since he is paying for his own annuity.

I would like to ask you about two parts of that statement.

First of all, do you take the view accurately that he is paying for his own annuity?

Mr. RADEMACHER. I responded to Congressman Scott—

Mr. CHAPPELL. Let me accept that as your answer, then.

Mr. RADEMACHER. I will be happy to elaborate.

Mr. CHAPPELL. If that is your answer, let me take the second question.

If I understand it correctly, the employee contributes only approximately 15 percent of the annuity which he receives. This means that the average annuitant gets back all he puts into the program in approximately 2 years, on the average.

For example, a man who has a life expectancy after retirement of 15 years will reap the benefits of the annuity for 15 years, assuming he lives through that longevity. The first 2 years of that he will have paid for. That is, in the first 2 years he will have received back everything he contributed. Assuming that is his contribution, there are 13 years that somebody else has to pay for under the present system. That means the taxpayers.

It is far from accurate to say he pays for his own annuity, because the Government matches the 7 percent right off the bat that he pays, if I understand it correctly. If I am wrong, you correct me.

In addition to that, the Government—the taxpayer—contributes to the unfunded liability from time to time many millions of dollars.

That is to say, then, the best you can look at it, the annuitant will have paid in 15 percent of the cost of that annuity. That is a long way from saying he pays for it, is it not? He pays a part, does he not, Mr. Rademacher?

MR. RADEMACHER. Yes. If the inference was that I am saying he is paying for the entire cost, that is erroneous. I am indicating, or should have indicated more clearly, that with the 7 percent we feel he is paying sufficiently for that annuity.

We all know the Government must also contribute, and the Government is the taxpayer, but the taxpayer also contributes 40 percent for health insurance, another percent for life insurance, and also contributes wages. In any form of government, the taxpayer has to pay to support the government.

The fact that the employee is paying 7 percent we feel is sufficient to cause him to have earned his annuity after 25 years of service with the same employer.

MR. CHAPPELL. I think the gentleman understands that each and every member of this committee and the full committee and certainly the Members of Congress are sympathetic to what we are trying to do. The question is how do we go about it.

As I view the picture, we are trying to get to the point where there is enough paid into retirement that the annuity is sufficient to enable that annuitant or retiree to live at least in a respectable status. I think all of us are trying to get to that point.

Therefore, it must be paid for by somebody. That somebody has to be the total community, with whatever help the annuitant makes on his own. Somewhere there has to be a line where we have to say we have to increase all of this, which means everybody has to pay more if you are going to give him a living retirement, or we have to go to the thing I mentioned a moment ago, give him a second career so he can supplement it. There cannot be any other alternative, as I see it. Either you have to give him an annuity that he can live on properly, or you have to let him retire at a point where he can pursue a second career and supplement it. As I see it, there is no other way to do it, unless you are to go to the total welfare approach, and I do not think any of us want that.

You mentioned in the same sentence, "The shifting winds tell us that no longer should a career worker who spends a lifetime working for his Government be required to serve more than 25 years . . ."

Perhaps if 25 years is a legitimate argument, we probably could make the same legitimate argument on 20 years, could we not?

MR. RADEMACHER. Yes; I have. The Brasco bill contains that.

MR. CHAPPELL. In your opinion, would a 20-year provision make it economically practical for an employee, in fact, to retire?

MR. RADEMACHER. Mr. Chairman, I think perhaps we should involve ourselves in this understanding. I think all that any of the witnesses have been trying to do is to promote a new optional retirement policy of the Government. We are not here to argue the cost, at least on this side we are not, nor to argue about the legislation. What I see this committee considering today is bills that we are supporting.

I do not know where the argument comes in, Mr. Chairman.

We have the Scott bill—

Mr. CHAPPELL. Let me make it clear, Mr. Rademacher, we are not arguing. We are trying to consider this as reasonable men, trying to listen to all the argument for or against provisions, so we might come up with that which is best for the people concerned and for the taxpayer. That is all we are saying.

Let me make sure we are not being argumentative in our approach. We are simply trying to pursue all of the arguments made for or against the matter. Please accept it on that basis.

We are not being critical in any way. We are just trying to pursue all the avenues and arguments.

Mr. RADEMACHER. I would like to get back on the right track here. Congressman Scott sponsored a bill for 30-year optional retirement. Congressman Brasco has one for 20 years. Congressman Dulski has a bill that was endorsed by the administration, supported by the people at the White House. We are here today saying that is great. We are here today saying the Scott bill is great.

All we are saying is that it does not go far enough.

Mr. CHAPPELL. I understand that.

Mr. RADEMACHER. The Dulski bill is excellent, but it is limited to those people who are in agencies that are now suffering a major reduction in force.

All I am saying, Mr. Chairman, in behalf of our union, is that we have many dedicated, long-time career postal workers who were very shaken up when representatives of management with shorter terms, shorter careers, were given an opportunity to leave the Service at a nice, lucrative severance pay plus a nice retirement at an early age. But the other employees were not given this opportunity. We are protesting that today, not disagreeing with what was done, but only asking that all employees be included in it.

Again, I say with regard to the 20-year question you asked about, we are for that. But you must understand that not everybody we represent is can afford to get out. We are trying to suggest legislation to this committee which would allow employees to get out if they could afford to get out and wanted to get out.

Certainly, they are not going to release everybody with 20 years in the Postal Service and let them start earning an annuity for the rest of their lifetime.

The two points I would like to make are: First, that we are very close to agreement as to the legislation under consideration and, second, to emphasize that what we are supporting is optional. I disagree with previous witnesses who feel it will be limited. From the mail I get from our members, a large number of employees will leave, and they will not be leaving to find another job. They will be leaving because of the fact that they just no longer can sustain the pressures.

I would like for the record to say that in the Postal Service where these people will be leaving as a result of whatever this committee will do. They will be leaving at a salary of \$10,000, and management will be hiring people in at \$7,300, a tremendous savings to the Government of \$2,700 the first year on each employee. That has to be taken into consideration.

Mr. CHAPPELL. Savings? Explain that.

Mr. RADEMACHER. An employee who would retire under the legislation that this committee intends to report out, regardless of what bill it might be, is earning a salary of \$10,000. He will be replaced,

I hope by a Vietnam veteran, at a salary of \$7,300. So, the Government saves \$2,700 in wages the first year on each one of these people.

Mr. SCOTT. I would say in legal terminology that this is a non sequitur. It does not follow from one of your statements to the other. The Government is not getting anything out of the retired individual. I do not think it follows that the Government is saving \$2,700. In other words, they are paying a man who has not worked.

I am not suggesting that they should not pay him. He has put in years of useful service. I just do not see the logic in this at all that the Government is saving \$2,700 by paying out \$17,000.

Mr. CHAPPELL. I think your point is well made. If you pursued that kind of argument, in essence you would be paying two people for the labor of one.

Let me go to your page 5, Mr. Rademacher, where you say:

We estimate, that 100,000 Postal and other Government employees will take advantage of such liberalization of the retirement system and will provide for jobs which can be filled by at least one-third of the unemployed veterans.

On what are the statistics there based?

Mr. RADEMACHER. The Labor Department has just released a statement indicating that there are 300,000 Vietnam veterans on the unemployed roll today. The estimate of 100,000 workers retiring is based somewhat on statistics that we thought we heard from the Civil Service Commission, that about 600,000 workers would qualify under just a blanket approval by this committee of H.R. 9303, without earmarking it for the major reduction in force agencies. In other words, it was my understanding that 600,000 people now qualify for H.R. 9303 without the stipulation.

It is our feeling that 100,000 people would take advantage. We have no way of knowing, other than the sentiments expressed at our meetings and in our mail about people who have the required number of years of service and who want to get out now.

Mr. CHAPPELL. Have you any statistics on how many letter carriers who enter upon a second career?

Mr. RADEMACHER. None that I know of enter upon a second career. Many get part-time work in a mail room or maybe as a night guard, because this supplements the income.

Mr. CHAPPELL. Have you statistics on that?

Mr. RADEMACHER. We do not have statistics like that, Mr. Chairman.

Mr. CHAPPELL. How many of these early retirees themselves will compete on the labor market with the same Vietnam veterans that you have been talking about?

Mr. RADEMACHER. I would not be able to give you the precise number. I would say, though, that we must consider in answering that question that you are talking about a Vietnam veteran who probably is in his early twenties, and you are talking about a retiree who is 50 or above. I think there is no question about who would get the job.

Mr. CHAPPELL. Assuming it is one that did not require the same high degree of training which your people might have in a particular area. I am not talking just of Postal employees, but of others who might hold some high degrees of specialty.

Mr. Hillis?

Mr. HILLIS. I have just a couple of questions here, Mr. Rademacher.

Going back to page 2 and the matter that we talked about earlier, the annuitant who receives less than \$100 a month, and so on, can you tell me what is the situation? Are these mostly people who worked a very short term for the Government or, in your opinion, are they people who have been retired with fairly long service but a number of years ago when annuities were much less?

Mr. RADEMACHER. To begin with, Congressman Hillis, more than half of this number of people who are receiving less than \$50 are the survivor annuitants. The remainder are people, as you have indicated, with short terms of service or perhaps disability after a short period of service.

The most recent reports show about 95,000 combined annuitants and survivors that are receiving less than \$50.

Mr. HILLIS. These are widows with children.

Mr. RADEMACHER. Yes. The exact figure is about 60,000 who are survivor annuitants, widows and children, and about 35,000 who are actual annuitants.

For example, the actual annuitants who are receiving from \$40 to \$49 are about 10,000. There are actually 149 people under \$10. There is a reason for those people getting only \$10.

What we are talking about today is that there ought to be an increase to at least \$100 for everybody. I realize that legislation is not presently under consideration.

Mr. HILLIS. I understand that, too. I think it is important for the record.

Going to the discussion you had with my colleague, Mr. Scott, as I understand your point, you have no objection to your union's employee funding present service, paying his fair share for his annuity; is that correct?

Mr. RADEMACHER. We have no objection to the 7 percent continuing under the legislation now before the committee. At a later date we intend to testify. I am talking about the next time such legislation is before the committee. We do not intend to support again any increases in the contribution of employees. We think that 7 percent is sufficient and adequate for the return on the investment.

Mr. HILLIS. The point you are making is that it is not fair to call on your union member to pick up the past service of other retirees, is that correct?

Mr. RADEMACHER. That is correct. I did make the statement that these people had worked for the Government and they should be treated fairly by the Government. I do not think it was a responsibility of those who replaced them to make up for this deficit.

Mr. HILLIS. Only as taxpayers themselves.

Mr. RADEMACHER. That is right.

Mr. HILLIS. Of course, I am a new member of the committee. Is this similar to the military situation, recomputation of pensions? Would this be similar to that sort of thing which has been done in the past?

Mr. RADEMACHER. Where there is military service, the military agency, under new legislation, pays for that portion of the service.

Mr. HILLIS. I am talking about the past retiree. Is this, in theory, the thing you are talking about, the recomputation of their annuity?

Mr. RADEMACHER. I was not considering recomputation as much as just an absolute increase without recomputing or considering any law.

I was only hoping that the Congress would agree that no retiree should receive less than \$100.

Mr. HILLIS. Thank you very much.

Mr. SCOTT. May I ask one further question?

We were talking about the percentage deduction from the pay of the present employee. Thinking now only of the bills that are before this committee, not going on to this minimum retirement at all, but the bill Mr. Daniels has introduced or the bill I have introduced, if it should be found from an actuarial point of view that there would need to be an increase in the deduction—obviously, we know it will cost more—would you prefer to have these bills enacted, if the choice came to this, retaining the 50-50 combination between the Government and the employee? Would you prefer enactment of these bills even if it meant increasing the amount of the deduction?

I asked that same question some time ago of the representative of the American Federation of Government Employees, and he said he was willing to do it. Now I ask what your feeling might be.

Mr. RADEMACHER. I would not for the moment want to disagree with my brother in the trade union movement, but I will respond to your question.

If it came to a decision by this committee as to whether or not the bill would be approved, and if it were only approved on the basis of an increase in the annuity deduction of employees, we would oppose the legislation. There is not enough involved, Mr. Congressman, to cause every employee who would not be taking advantage of an optional retirement to have to pay an extra percentage point the rest of his life. We just could not support it.

Mr. SCOTT. I feel sure it would not be a full percentage point. Obviously, I have not seen any figures, but I think at that time we were talking about possibly raising it one-half of 1 percent. That is still a raise.

My question, which you have answered, was whether or not, whatever the actuarial figures were, with the Government paying half of the cost and the employee paying half of the cost, and your answer is, no, you would rather not agree to this legislation.

Mr. RADEMACHER. I might qualify it in that I would want to see all the legislation, not just whether or not an employee can retire at any age with 30 years of service, as your bill suggests. I would want to see if that bill included a new formula for computing the annuity.

It would be rather ridiculous of me, responsible for 220,000 people, to sit here and give you an unqualified answer "No" until I have seen what you are talking about. At this point I am just suggesting that merely allowing a man to get out earlier at any age, without any other changes, I could not recommend.

Mr. SCOTT. Frankly, I am not sure it would increase it any, because we did have the gentleman from the Civil Service Commission, Mr. Tinsley, saying there were some new figures coming up. It may be there would not be any need to raise the amount of the Government or employee contribution to keep the fund actuarially sound.

I am sure you would agree we must keep the fund actuarially sound in one way or another. That is true, is it not?

Mr. RADEMACHER. Unfortunately, we must be responsible to that degree. We have to protect the investment that all the people have in this retirement fund. I certainly concur with what you have said.

We would certainly want to take a look at whatever you produce before we would come in and make such a statement as I have just made, either flatly "Yes" or "No".

I was very much interested, Congressman Scott, in what Mr. Tinsley said, that there is a possibility that the figure will be reduced from 14 percent. I will be interested, if that is true, what the committee would want to do about it. If it is less than 14 percent, unless you offer additional benefits, the annuity deduction should be reduced. I did not come before the committee at this time to ask for a reduction in the contribution.

Mr. SCOTT. Then of course the current benefits should be reduced if the figures warranted it.

Mr. RADEMACHER. I think my testimony might end at that point. One of the reasons we are pushing early retirement is that we have a retirement community in Florida, and we are anxious to fill it with people other than those who are beyond 60 years of age.

Mr. CHAPPELL. Thank you, Mr. Rademacher.

At this point, without objection, we will receive into the record the statement of Dr. Nathan T. Wolkomir, president of the National Federation of Federal Employees. I do not believe he wishes to testify personally.

Also, the statement of Mr. Patrick J. Nilan, legislative director, American Postal Workers Union, will be inserted in the record.

(The statements follow:)

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

Mr. Chairman and members of the subcommittee, I am Nathan T. Wolkomir, President of the National Federation of Federal Employees, the pioneer Federal employee union and the largest independent union in the Federal service.

Mr. Chairman, I am always especially interested and concerned, and appreciative of the opportunity, of testifying on retirement legislation. The first major piece of legislation successfully sponsored by the NFFE was the original Federal Retirement Law of May, 1920. For more than 54 years, official spokesmen for the NFFE have been appearing before Congressional Committees in support of progressive Federal retirement legislation.

The three bills under consideration here today, namely, H.R. 1266, H.R. 3592, and H.R. 9303, all qualify without quibble or question for the designation of "progressive."

The sponsors of these bills, Representative Dulski, Representative Daniels, and Representative Scott, as well as the other Members of the Committee, and other Members who have sponsored related bills, are to be commended for their interest in seeking the enactment of these measures.

The introduction of these bills indicates very clearly and emphatically recognition of the fact that especially at this time the need for a liberalization of the retirement law has become a very urgent imperative.

H.R. 1266, with its so-called "80 formula"; H.R. 3592, providing for 30-year optional retirement and other liberalization; and H.R. 9303, liberalizing retirement for employees caught in a major reduction in force . . . all have the strong support of the NFFE. We urge favorable action on them both here and in the Congress at this session.

These bills represent major objectives on the NFFE Program of Progress. They are designed, however, not only to benefit the employees but I am confident that they represent the kind of legislation which is very much in the public interest and in the interest of a sound Government service.

That has been true over a long period of years. But it is even more graphically true today than ever before in view of the whole national economic picture. Moreover, equity to the employees requires that in a period of radical, drastic readjustment in the Federal service—in which literally thousands of faithful, dedicated employees are impacted by reductions-in-force—that steps be taken to cushion the impact upon them, upon their families, and upon the communities in which they live.

These measures, which are very much in line with progressive actions taken in the area of retirement in the private sector, would be a long step forward in that right direction.

With respect to the bill calling for optional retirement after 30 years of service regardless of age, as the Committee is aware, numerous bills to accomplish this wholly desirable and progressive objective have been introduced over a long period of years. The arguments in support of it are unassailable. Indeed, since one result undoubtedly would be to open up certain positions to younger employees, the intransigent opposition of the Administration is difficult to fathom.

I would like to state also, Mr. Chairman, in connection with our support of these measures, that over the years the NFFE as been zealous (some few have even occasionally accused us over over-zealousness) in our determination to strengthen the Federal Retirement System and to accord our support to *no* proposal which, however sincerely motivated, could in our judgment tend to weaken, undermine, jeopardize, or otherwise impair the integrity of the system. For that reason from time to time we have opposed measures which in our considered view would be contrary to the best interests of the Government and its retirees and their families . . . even though some such measures may have had rather wide immediate and surface appeal. What I am saying is that our primary concern at all times has been not only to see progressive legislation enacted . . . but legislation which is well conceived and which would be in conformance with sound fiscal policy vis-a-vis the Retirement Fund.

Mr. Chairman, we believe that the bills under consideration here today rate approval on both those vital counts, and we make this assertion on the basis of our careful, analytical appraisal of the entire Federal retirement issue and currently related matters already discussed herein.

H.R. 1266 was introduced by the Honorable Dominick V. Daniels (D., N.J.). Congressman Daniels, long the champion of equity is Chairman of this Committee, should be commended for his efforts. His aim to modify the age and service requirements to facilitate the opportunities for voluntary retirement, has for many year been part and parcel of our "Program of Progress."

Present law retirement provides for retirement at age 60 with 20 years' service and age 55 with 30 years' service.

The bill would modify the age and service requirements by allowing an employee to exercise the right to retire from Federal employment, on an immediate annuity at such times as the sum of the years, months, and days of his attained age and length of creditable service aggregates at least 80 years.

The bill would also permit the optional retirement of employees, during a major reduction in force in a department or agency, under the existing involuntary retirement provisions of the civil service retirement law—25 years' service or, after becoming 50 years of age, with at least 20 years' service. (A similar provision is embodied in H.R. 9303 whereas H.R. 3592 employs both the 30-year amendment and the 62/5, 60/10 year formulas).

Finally, the bill would lower the reduction in annuity which begins prior to age 55 from the present equivalent of 2 percent to 1 percent for each year the employee is under age 55 at time of either voluntary or involuntary retirement.

Preliminary estimates indicate additional unfunded liabilities of \$10.7 billion. Normal cost would increase by approximately 1¼% in accordance with advance information received from Civil Service Commission.

The Administration opposes this legislation but we question its cost analysis.

H.R. 9303 in addition provides equity for the long service employee who due to no fault of his own is subject to a reduction in force and then is boxed into the situation of losing his only source of livelihood and restricted by age requirement and law to voluntarily retire. Even the Administration is aware of this injustice and endorses the recommendations. It is surprising however that cost factors become unknown on those proposed bills that are favored.

The NFFE, as I have stated, strongly urges enactment of these measures. At the same time, I bespeak the indulgence of the Committee to place on the record, at least in brief, our view that the time has come for a fuller consideration of and action on a wider range of proposals which we put forward to update, improve, liberalize, and strengthen the Federal Retirement System. We certainly do not believe that enactment of the pending measures should wait upon such comprehensive omnibus retirement legislation, but we do very strongly feel that it would be in the national interest for the Committee to take under close and careful advisement the desirability of a multi-faceted legislative approach to the many aspects of the Federal retirement law which need either some basic revisions or, at the very least, some knowledgeable tidying up.

Mr. Chairman, we are, of course, glad to see that equitable provisions are incorporated in the subject Bills. The NFFE favors the principle of equal treatment for all Government retirees and their survivors based upon equal service regardless of the date of retirement. The rights and benefits should be equalized for our senior citizens, those who retired prior to July 18, 1966 both with respect to their own annuities and their survivors' annuities, including removal of the percentage deductions of individuals between the ages of 55 and 60 with 30 years or more of service who retired before July 18, 1966. Equalization should also be made in the annuities of those who retired prior to October 11, 1962 and who elected a reduced annuity in order to provide a survivor annuity for a spouse. We urge the enactment of legislation exempting annuities under the Civil Service retirement laws from Federal and state income and inheritance taxes as well as the enactment of legislation restoring the full annuity to retirees when the survivor annuitant predeceases the retiree where a survivor deduction has been made. We cite in outline form below the over-all improvements in the Civil Service Retirement System proposed by the NFFE, all of which we feel are urgently needed. At the NFFE biennial national convention in September, 1970, our position in support of these proposals was overwhelmingly approved. In this connection, I may point out that of the many resolutions presented to that convention, the subject drawing the largest single group of resolutions was retirement, indicative of the employees' great interest in this issue. I am sure that you, Mr. Chairman, and Members of the Subcommittee, already have heard from many of our Locals and individual members, evidencing their deep interest and concern in improvements in the Civil Service Retirement System. The National Federation of Federal Employees regards liberalization in Federal retirement benefits as absolutely essential if the Government wishes to recruit and retain qualified personnel now and in the years ahead. The NFFE proposals for broad improvement of the retirement system are outlined in this 14-point program:

1. Government employees be permitted the option of retirement at full annuity after 30 years of service regardless of age.
2. The enactment of legislation to obtain a calculation factor in the annuity formula based on actual high three salary rather than base pay.
3. The computation of annuities for employees engaged in the investigation, apprehension, and detention of criminals and other hazardous duties be changed from a straight 2 percent calculation to a 2½ percent calculation.
4. Enactment of legislation permitting a married employee retiring from service to provide for his widow or widower without a deduction from his annuity.
5. The accumulative total contribution made by each employee to the Civil Service Retirement Fund be reported to each contributing employee on an annual basis.
6. Enactment of legislation to grant optional social security coverage with the retention of the Civil Service Retirement System as a separate entity.
7. Upon the death of a female employee, the dependency clause on a survivor annuity to the widower be eliminated.
8. The enactment of legislation exempting annuities under the Civil Service retirement laws from Federal and State income and inheritance taxes.
9. When the survivor annuitant predeceases the retiree, the full annuity be restored to the retiree.
10. That procedure be developed between the Civil Service Commission and the Federal agencies whereby an application for retirement may be sufficiently ahead of the effective date so that payment of annuities will actually begin on the first day of the month following the specified date.
11. Enactment of legislation to include firefighters within the retirement laws of Federal employees in hazardous occupations.
12. In addition to the foregoing, the rights and benefits should be equalized for those who retired prior to July 18, 1966 with those who retired on and after July 18, 1966 both with respect to their own annuities and their survivor annuities. An equalization should also be made in the annuities of those who retired prior to October 11, 1962 and who elected a reduced annuity in order to provide a survivor annuity for a spouse. If legislation to cover the foregoing cases were enacted it would afford no greater rights and benefits than those who retired on and after July 18, 1966. It is fair and equitable to accord similar rights and benefits to these earlier retirees.
13. Full service creditation to National Guard Technicians for their service within the National Guard prior to January of 1969.
14. Enactment of legislation to authorize the benefits under Section 18(a) of Public Law 89-205 to all those who retired on or before October 1, 1956. This Section authorizes these benefits if the commencing date of the annuity of the

retired employee occurred on or before October 1, 1956. There are some employees who retired on or before October 1, 1956 but whose annuity did not commence until after October 1, 1956. It is only fair that all those who retired on or before October 1, 1956 receive similar benefits.

Mr. Chairman, the NFFE is grateful to you and to the Members of the Subcommittee for your constructive interest in the areas covered by this piece of legislation. While we have made certain suggestions which we earnestly believe improve the proposed legislation, I wish to make it quite clear that the NFFE is appreciative of the great amount of work which has gone into the preparation of this legislation and, of paramount importance, the motivation of the legislation, which is considerate of the interests of the Federal employees, the Government, and the public interest as a whole.

I should like to emphasize also that there is an urgency about this matter which we hope will be taken into full account by both Houses of Congress and by the Administration. There is a no more important aspect of employee-management relations than the character of a retirement system to which employees, and their families can look forward. We must bring the Civil Service Retirement System up to date—completely up-to-date in all respects—if it is to fully benefit not only the employees but the Government and the people of this country.

A substantial increase in present annuities depending upon the amounts received should be granted to retirees and survivors. I am certain that they appreciate the one percent added to the cost of living increase as provided in last year's legislation. There are retirees and survivors who live on less than subsistence incomes. The Subcommittee should consider increasing the one percent addition to the cost of living increase.

It is our hope that the proposed legislation now under consideration will be passed in this session. Early action would, in our judgment, have far-reaching beneficial effects, morale-wise as well as in the other practical advantages which this legislation would provide. Many employees will make important decisions regarding their retirement plans as a result of the proposed legislation, if enacted.

Mr. Chairman, it is respectfully urged that our views be carefully considered. I appreciate the opportunity to present them in behalf of the NFFE.

STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR, AMERICAN POSTAL WORKERS UNION (AFL-CIO)

Mr. Chairman and members of the subcommittee, for the record, I am Patrick J. Nilan, National Legislative Director of the American Postal Workers Union (AFL-CIO) with offices at 817-14th Street, N.W., Washington, D.C. I am very pleased to appear before the Subcommittee this morning with our Legislative Aide, Edward L. Bowley, as we present our testimony concerning H.R. 1266, amending the retirement act.

We speak in behalf of more than 400,000 postal employees, for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service. Our membership is employed in post offices in all 50 states, the District of Columbia, Puerto Rico, Virgin Islands and Guam.

The American Postal Workers Union (AFL-CIO) our newly merged organization of five former national postal unions, which consists of the following:

- National Association of Post Office & General Service Maintenance Employees,
- National Federation of Post Office Motor Vehicle Employees,
- National Association of Special Delivery Messengers,
- National Postal Union, and
- United Federation of Postal Clerks,

wishes to take this opportunity to commend you Mr. Chairman, and members of your subcommittee for scheduling hearings on a matter which is of considerable importance to all Federal employees.

We also want to express our appreciation to the gentleman from New Jersey, Mr. Dominick Daniels, a distinguished member of the House Post Office and Civil Service Committee for introducing H.R. 1266, a bill that will amend the age and service requirements for immediate retirement under the present retirement act and for other purposes that will correct glaring inequities in the existing law such as:

- An employee who is separated from the service and whose attained age plus length of service aggregates the sum of at least 80 years is entitled to an annuity.

An employee, the duties of whose position are primarily the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the criminal laws of the United States, including an employee engaged in this activity who is transferred to a supervisory or administrative position, who is separated from the service after becoming 50 years of age and completing 20 years of service in the performance of these duties is entitled to an annuity if the head of his agency recommends his retirement and the Civil Service Commission approves that recommendation.

An employee who is separated from the service—(1) involuntarily, except by removal for cause on charges of misconduct or delinquency; or (2) while his agency is undergoing a major reduction in force, as determined by the Commission; after completing twenty-five years of service or after becoming fifty years of age and completing 20 years of service is entitled to an annuity.

An employee who is separated from the service after becoming 62 years of age and completing 5 years of service is entitled to an annuity.

A Member of Congress who is separated from the service after becoming 62 years of age and completing 5 years of civilian service or after becoming 60 years of age and completing 10 years of Member service is entitled to an annuity.

A Member who is separated from the service and whose attained age plus length of service aggregates the sum of at least 80 years is entitled to an annuity.

A Member who is separated from the service, except by resignation or expulsion, after completing 25 years of service or after becoming 50 years of age and (1) completing 20 years of service or (2) serving in nine Congresses is entitled to an annuity.

The American Postal Workers Union strongly endorses and supports H.R. 1266, which also incorporates the provisions of S. 636, introduced in the Senate by the distinguished Senator from the State of New Jersey, Clifford Case.

We are extremely grateful for the improved benefits proposed in H.R. 1266. However, we urge this committee to consider additional improvements which 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.

All salary increases be immediately reflected in the retirement benefits to all annuitants.

Tax exemptions for all annuitants.

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 survivor's benefits, predeceases, the full annuity should be automatically restored.

In addition to the above, Congressman Frank Brasco, also a distinguished member of this committee, introduced H.R. 7647, a bill that would permit optional retirement after 20 years of Federal service with 50% of an annuity. The American Postal Workers Union strongly supports this bill.

We should like to point out that the U.S. Postal Service continues to face major difficulties in attracting and retaining desirable personnel in many areas of the country. 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 increasing comparable and better retirement systems in the private sector—in many instances with no cost to employees. New York City for example, provides its employees with the same provisions outlined in H.R. 7647.

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

We submit that when a Federal employee 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 on behalf of retirees. The fact is that the nominal value of annuities has 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 adjustment of dollar benefits 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 behalf of the more than 400,000 postal employees represented by the American Postal Workers Union (AFL-CIO) employed in Post Offices throughout the United States and possessions thereof. We will be happy to respond to any question you may have concerning our testimony. Thank you.

Mr. CHAPPELL. That leaves one witness, Mr. C. L. Dorson, president, Retirement Federation of Civil Service Employees of the U.S. Government.

STATEMENT OF C. L. DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE U.S. GOVERNMENT

Mr. DORSON. Thank you.

Mr. Chairman and members of the subcommittee, my name is C. L. Dorson, and I am president of the Retirement Federation of Civil Service Employees of the U.S. Government, with headquarters in this city.

We endorse, and urge the enactment of, the proposals you are considering to allow Federal employees to retire optionally, at any age, with 30 years' service, as contained in H.R. 3592, or when the sum of their age and service totals 80, as contained in H.R. 1266. There is only a slight difference between the two, and we believe the enactment of both options to be compatible.

Of the two proposals, the first, optional retirement after 30 years' service, appears a little more liberal. For example, if this proposal alone is enacted, the employee who entered service at age 18 could retire at age 48 with 30 years' service, but under the combination 80 proposal the same employee would require 31 years' service to retire at age 49.

The latter proposal, combination 80, would prove more liberal for the employee who enters service at a later age. Such an employee who entered service at age 30 could retire at age 55 with only 25 years' service, 5 years less than the present law required.

However liberal these proposals may seem, from a practical standpoint few employees could afford to exercise the option unless the annuity computation formula is also improved. The employee who wishes to retire at age 50 with 30 years' service would be entitled to only 56¼ percent of his average salary under the present formula. The employee with 25 years' service at age 55 would receive only 46¼ percent of his average salary. Neither prospect is feasible for most employees.

To make early retirement both possible and economically feasible for all employees with long service, we urge that you also recommend to the full committee and the House of Representatives an increase in the computation rate to 2½ percent of average salary for each year of service as proposed in H.R. 6622 by Congressman Leggett. This bill would improve the 30-year annuity to 75 percent and the 25-year

annuity to 62½ percent of average salary, thus bringing the dream of early retirement closer to reality.

We also endorse the provisions of H.R. 1266 and H.R. 9303 which would allow employees to retire under the involuntary separation provisions of the current civil service retirement law, when there is a reduction in force within the employing agency, even though they are not subject to the reduction. Enactment of this amendment will, we think, save the jobs of many short-service employees if the computation rate is improved, as we have suggested, to make it economically attractive.

The amendment proposed by H.R. 1266 which would cut the reduction rate for retirement before age 55, from one-sixth of 1 percent to one-twelfth of 1 percent for each month of age, is, we think, necessary if the foregoing provision for modification of the involuntary separation feature of the law is to have the value intended in reductions in force. Therefore, we also endorse this amendment and urge its enactment.

Mr. Chairman, we are grateful for the interest of the committee in this legislation and for the opportunity to express our views.

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

The committee stands adjourned.

(Whereupon, at 12 noon, the subcommittee adjourned.)

(The statements which follow were received for inclusion in the record:)

STATEMENT OF HON. FRANK J. BRASCO, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW YORK

Mr. Chairman and members of the committee, for the record, Mr. Chairman, my name is Frank J. Brasco; I am Representative of the Eleventh District of New York and a member of the House Committee on Post Office and Civil Service.

With your permission, I would like to make a statement in favor of H.R. 7647, a bill I have introduced in an effort to help alleviate the condition of our Civil Service and Post Office retirees.

It is very heartening to me, Mr. Chairman, to see that so many Members of this Congress, and so many Members of this Committee—including, of course, yourself—have introduced legislation which would be of benefit to our retiring workers. It is obvious we all have the same commendable objectives in mind, we differ only slightly as to the best means of obtaining those objectives.

In my opinion, the Federal retirement system has always lagged woefully behind practices in private industry. When the first Civil Service law was passed and approved in May, 1920, private industry was way ahead of the Federal Government in providing the means by which superannuated workers could find comfort, security and dignity in their sunset years. When the law was finally passed, there were men carrying the mail and serving as window clerks who were well into the eighties—hanging desperately onto their jobs because dismissal or quitting would mean the poor house or starvation.

Ever since that time—despite the valiant efforts of many Members of this body, the Civil Service program has never quite caught up with the vast majority of programs in the private sector.

My bill, for example, Mr. Chairman, would permit retirement at 50 percent of salary after twenty creditable years of service, regardless of age.

I would like to point out that, when the National Association of Letter Carriers held their founding convention in Milwaukee in the summer of 1889, one of the four original resolutions passed called for 20-year retirement, regardless of age. After 72 years, we are at least trying to catch up with the aspirations of those valiant pioneers of 1889!

I have also sought, in my bill, to liberalize the system of computation by which annuities are figured. The present system is not nearly generous enough in this era of rising costs and bounding prices. I have recommended that the computation be based on 2½ percent per year, so that after 20 years, a man can retire on 50 percent of his salary. I don't think this is in any way out of line with current practice in the private sector.

Mr. Chairman, I would also like to point out a very practical economic and social effect my bill would have, if enacted. By encouraging early retirements in the Federal service, it would have a very wholesome effect on the unemployment situation in the United States. It would also create job openings for veterans returning from Vietnam and elsewhere.

I can think of no two by-products of any legislation which can be considered as wholesome as these.

The career services in the Federal Government—and particularly in the postal establishment—have been starved for talent in recent years. From every side we hear complaints that it is almost impossible to attract first-class talent and, in some cases, hard to attract any talent at all.

There can be only one real reason for this—the Federal jobs are not sufficiently attractive. Talented and ambitious youngsters are looking elsewhere when contemplating a career.

Certainly we have seen what this deterioration of the recruitment process has done to the postal service in this country.

Youngsters take a long cool look at every aspect of a job before they select a career. On the day they sign up, they are looking ahead to the day they retire, and they want to know how their employer will take care of them.

When they look at the retirement system of the Federal Government, they are far from satisfied. They can find a better set-up almost anywhere. In my bill, I am not only moved by a natural compassion for people who must survive on a fixed income in a world of rising prices, but I am also trying to improve the tone of our entire Civil Service system by making it more competitive with employment in the private sector.

Thank you very much.

STATEMENT OF JAMES D. HILL, EXECUTIVE DIRECTOR, THE NATIONAL FEDERATION OF PROFESSIONAL ORGANIZATIONS

Mr. Chairman, this testimony is presented in behalf of the National Federation of Professional Organizations, composed of the following organizations, representing 35,000 Federal professionals:

- Air Traffic Control Association, Inc.
- Airways Engineering Society.
- Association of Senior Engineers of the Naval Ship Systems Command.
- Federal Plant Quarantine Inspectors' National Association.
- National Association of Federal-State Employees.
- National Association of Federal Veterinarians.
- National Association of Government Engineers.
- National Society of Professional Engineers.
- Naval Civilian Administrators Association.
- Navy Field Safety Association.
- Organization of Professional Employees of the U.S. Department of Agriculture.
- Patent Office Professional Association.
- Society of Real Estate Appraisers.

We commend the subcommittee for its attention to these two measures, which are of great importance to Federal employees.

H.R. 1266 would permit retirement on an immediate annuity by an employee whose age and length of service aggregate 80 years. In addition, both H.R. 1266 and H.R. 9303 would permit an employee to receive an immediate annuity if he is separated in the course of a reduction-in-force in his agency, if he has 25 years of service, or if he has 20 years of service and is 50 years of age. We are in favor of both of these proposals.

With respect to the provision of H.R. 1266 permitting retirement on an immediate annuity if the employee's age and service aggregate 80 years, we observe that this would reduce the existing minimum by 5 years. Today an employee must be age 55 and have 30 years of service, a total of 85 years. H.R. 1266 would permit retirement at age 50 with 30 years of service, or at age 55 with 25 years of service, or any other combination of these which total 80 years.

At the present time an employee can retire on an immediate annuity at age 55, with 30 years of service. The law in this respect has been virtually unchanged since 1942. In the last 30 years the views of our society with respect to retirement have changed considerably, but the minimum age for retirement for the Federal Service has remained unchanged. Until 1966 an employee retiring before the age

of 60 was required to take a reduction in his annuity of one-twelfth of one percent per month. This reduction was eliminated by P.L. 89, 504, of July 18, 1966.

At the beginning of the 87th Congress in 1965, a large number of bills were presented to liberalize the Federal retirement system. As we understand it, President Johnson requested the Congress to delay consideration of these measures until he could have them examined by a special Cabinet Committee on Federal Retirement Systems. He created this Committee by memorandum of February 1, 1965, and the Committee issued its report to him on February 15, 1966. The Committee held extensive hearings, at which various Federal employee groups recommended retirement after 30 years of service at any age, retirement at age 50 with 30 years of service, extension of the special provision for retirement at age 50 with 20 years of service to additional groups of Federal employees engaged in hazardous work, etc. The President's Cabinet Committee did not see fit to recommend any of these. It recommended only that in the future optional retirement at age 55 with 30 years of service be with unreduced annuity. The Committee said that its recommendation "will accommodate the purposes underlying those various suggestions". To us, this is quite an overstatement. In fact, the Committee proposal did not alter the minimum retirement age at all.

President Johnson adopted the Cabinet Committee's recommendations and embodied them in proposed legislation providing for a salary increase, which he forwarded to the Congress on March 7, 1966. See 112 *Cong. Record* 5014, March 7, 1966; House Document 402, 89th Congress, 2nd Session; Senate Document 14, 90th Congress, 1st Session. The proposed legislation was enacted as the "Federal Employees' Salary Act of 1966", P.L. 89-504. We point out that, as to retirement, this law did not alter the minimum retirement age of 55, with 30 years of service which has now remained unchanged since 1942.

We respectfully suggest to the Committee that the proposed reduction in Federal retirement age is fully justified. If H.R. 1266 were enacted into law, we would doubt that every Federal employee would retire as soon as he became eligible. We would expect that an employee of 50 years of age and with 30 years of service, who still retained his health and his enthusiasm for his work would prefer to continue, rather than to retire on reduced income. We understand that the privilege of retiring at age 50 with 20 years of service, now held by law enforcement officers, is not universally taken. At recent hearings before the Committee on Post Office and Civil Service with respect to legislation which would permit air traffic controllers to retire at age 50 with 20 years of service, the Administration estimated that of those controllers becoming eligible for such optional retirement, only 15% would actually do so. However, retirement at age 50 with 30 years of service would make it economically feasible for employees with growing disability, declining capacity or interest, or obsolescent skills, to withdraw from active service, if they wished. Such a provision is meritorious and justified.

Turning to H.R. 9303, and the similar provision in H.R. 1266, which would authorize an immediate annuity to any employee who is separated from the service while his agency is undergoing a major reduction-in-force, if he has completed 25 years of service or is 50 years of age and has completed 20 years of service, in our view the merits of this proposal are almost too obvious to require justification. A reduction-in-force is accomplished by the use of a retention register, employees with the lowest number of retention points—that is, with the least seniority—must be separated first. We are sure that there are numerous instances in which an older employee would be willing to substitute himself for a younger one, if he could receive an immediate annuity. The proposed measure would enable the Government to retain the services of younger men, and to lose instead, men who would otherwise be leaving on retirement in a few years anyway. It would eliminate the tragedy of putting a man with a young family on the street, without a job. Under this legislation, hopefully, no one's income would be cut off, in future reductions-in-force.

We solicit the Subcommittee's support of these two bills.

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

Mr. Chairman and members of the subcommittee, we welcome this opportunity to acquaint you with the views of the 31 AFL-CIO unions, which comprise the Government Employees Council. Our organization represents more than 1 million wage board, classified, and postal employees of the Federal Government.

The Council is grateful to you for arranging this hearing and to numerous members of the House of Representatives who have introduced bills on the subjects treated in the pending bills.

Several different approaches to retirement improvements are embodied in the bills the Subcommittee is considering.

THIRTY YEAR RETIREMENT—THE "80" FORMULA

H.R. 3592 amends the present Civil Service Retirement Act to permit workers to retire after 30 years service, with no age limitation.

H.R. 1266 would allow Federal employees to retire when their years of service and age total 80.

The Council expresses its deep appreciation to Representatives Scott and Daniels, eminent members of the Subcommittee for their presentation of these proposals.

As the pace of production accelerates in the various Federal agencies, increasing mental and physical effort is experienced by employees. Particularly where individuals are assigned to jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. This is true of many positions in the postal, classified, and wage board categories. Even though an individual in these occupations may not experience physical impairments sufficient to warrant disability retirement, he may still desire to cease work before normal retirement age in order to preserve his health.

Under these conditions, it will benefit both the employee and the Government as the employer to permit him to retire with full benefits at an earlier age so that younger individuals may enter Government service.

As we are all aware, unemployment, as well as inflation, are persistent, serious and difficult problems in our country today. The rate of unemployed workers is alarmingly high, and some communities are facing an economic crisis because of it. Enactment of either of these bills will ease this national burden by making employment opportunities available to replace those Federal workers who retire.

In addition, approval of legislation of this kind will assist agencies to perform their missions more effectively by insuring a nucleus of skilled, younger workers, who can be trained to accept the responsibilities performed by their mature fellow-employees.

Retirement is one of the most important aspects of the Federal personnel program. Turnover among employees is a continuing problem. A large number of Federal workers quit their jobs each year. Acceptance of the principle embodied in these bills would provide an incentive for individuals to continue their careers in the Federal Government in order to retain retirement eligibility.

The number of senior citizens in our population increases each year. Boys and girls are spending more years in school. To satisfy the ever-increasing demand for jobs for those who complete their education, it is essential that job opportunities be made available at a much faster pace than heretofore. The number of working years will have to be reduced as one means of providing additional jobs.

Enactment of legislation similar to the bills discussed here will help alleviate the problems so far as the Federal Service is concerned, and will stand as an example of enlightened personnel management for others to follow.

The concept of retirement with full benefits for Federal employees with 30 years of service below age 60 is not new. During the disastrous economic depression our country experienced in the 1930s, Congress approved legislation allowing this type of retirement for Federal workers. Admittedly, the economic situation today is not identical to that prevailing 40 years ago. But the rationale of the earlier action applies with equal force in 1971. The object then was to provide an incentive for Federal workers with long years of service to retire so that their jobs would be available to younger men and women with families, who were in dire financial straits.

The Council has for many years supported proposals to permit Federal workers to retire upon the completion of 30 years of service, without any age requirement. This objective has had a high priority also on the programs of many of our member organizations.

The idea of permitting retirement of Federal employees whose combined service and age equals 80 is relatively new. It is an attractive approach to providing greater flexibility to the existing Retirement Act.

Adoption of this recommendation will allow workers to complete their Federal Government careers at an earlier age than is now the case, and will enable many to contribute more to our social and economic progress by utilizing their Federal experience in second careers. However, we do not believe that an individual below age 55 should have to accept a reduced annuity.

Thus, the Council endorses both of these measures.

RETIREMENT AND REDUCTION IN FORCE

Another piece of legislation before the Subcommittee—H.R. 9303—calls for entitlement to a voluntary pension when a Federal employe with 25 years' service, regardless of age, or at age 50 with 20 years' service, works for an agency undertaking a major reduction in force.

We acknowledge with appreciation Chairman Dulski's sponsorship of this measure.

Its principle purpose is to allow Federal workers to retire voluntarily during periods of personnel retrenchment, even though they may not be actual recipients of reduction in force notices. At present, employes must be personally involved in separation actions before becoming eligible for the more generous involuntary separations of the Retirement Act.

Obviously, enactment of this legislation will facilitate the reduction in force problems of Federal agencies, because it will encourage older workers to seek retirement and will make fewer younger employes subject to loss of their jobs.

At the same time, the bill will reassure workers who face the anxiety of possible job loss that they will be able to apply for retirement on the same terms as if they had received a separation notice.

In addition, they will be entitled to the advantage of any cost of living adjustment available to retired workers. Congress has seen in recent months the inequity experienced by some workers last year when they were ineligible for such an adjustment because the date of their separation and involuntary retirement failed to coincide with the date the annuity increase became available.

For these reasons, the Council views the legislation favorably.

We have two concerns about the bill.

First, it carries a reduction in pension for the individual who retires below 50 years of age.

Second, the Civil Service Commission is granted sole authority to determine what constitutes a "major reduction in force" for retirement purposes. The Council believes that unions representing workers involved should be able to participate in the guidelines for discussion on what constitutes a "major" personnel cutback.

Mr. Chairman, the Government Employees Council recommends that the Subcommittee extend serious consideration to H.R. 7647. Introduced by Representative Brasco, a distinguished member of the full Committee, the bill authorizes Federal employes to retire after 20 years of service and receive a minimum annuity of 50%.

The Council is grateful for this occasion to present its views on the important measures under consideration today.





