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# INCREASES IN CERTAIN ANNUITIES FOR FEDERAL RETIREES

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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

SECOND SESSION

ON

**H.R. 7805 and Related Bills**

A BILL TO PROVIDE INCREASES IN CERTAIN ANNUITIES  
PAYABLE UNDER CHAPTER 83 OF TITLE 5, UNITED STATES  
CODE, AND FOR OTHER PURPOSES

JULY 27, 1972

**Serial No. 92-48**

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(11)

## CONTENTS

---

Statement of—	Page
Broyhill, Hon. Joel T., a Representative in Congress from the State of Virginia.....	8
Dorson, Les, president, Retirement Federation of Civil Service Employees of the U.S. Government.....	48
Griner, John F., president, American Federation of Government Employees, accompanied by Carl Sadler, legislative representative, and Stephen A. Koczak, director of research.....	33
Hogan, Hon. Lawrence J., a Representative in Congress from the State of Maryland.....	5
Jaspan, Dan, legislative representative, National Association of Postal Supervisors.....	51
Lewis, J. Stanly, executive vice president and legislative director, National Association of Letter Carriers.....	43
McCart, John A., operations director, Government Employees Council, AFL-CIO.....	61
Olmstead, Claude E., president, National Rural Letter Carriers' Association.....	63
Orenstein, Norman, assistant director, National Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders Division of Laborers' International Union of North America, AFL-CIO..	64
Pepper, Hon. Claude, a Representative in Congress from the State of Florida.....	6
Ruddock, Hon. Andrew E., Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission.....	11
Schwengel, Hon. Fred, a Representative in Congress from the State of Iowa.....	58
Vanderhorst, Raymond D., legislative chairman of the National Association of Agricultural Stabilization and Conservation Service County Employees (NASCOE).....	64
Walters, Thomas G., president, National Association of Retired Federal Employees, accompanied by Clarence Tarr, vice president; Arthur L. Sparks, director of field operations; Gertrude G. Davis, national secretary; Judy Park, administrative assistant; and Charles S. Gorman, staff assistant.....	22
Wilson, Hon. Bob, a Representative in Congress from the State of California.....	57
Wolkomir, Nathan T., president, National Federation of Federal Employees.....	59
Yatron, Hon. Gus, a Representative in Congress from the State of Pennsylvania.....	58
Additional material—	
Copy of H.R. 7805.....	2
Report on H.R. 7805 from the Civil Service Commission.....	3
Report on H.R. 7805 from the Office of Management and Budget.....	65

CONTENTS

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## INCREASES IN CERTAIN ANNUITIES FOR FEDERAL RETIREES

THURSDAY, JULY 27, 1972

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 9:30 a.m., in room 210, Cannon House Office Building, Hon. Jerome R. Waldie (chairman of the subcommittee) presiding.

Mr. WALDIE. The subcommittee will come to order.

The Subcommittee on Retirement, Insurance, and Health Benefits meets today to consider legislation that is urgently needed by a most important segment of our population—those retired Americans who dedicated their lives to the service of their Nation.

These Federal retirees, their dependents and their survivors, basically rely upon the annuity they receive each month from the Federal Government.

In too many cases that annuity is cruelly small.

Last year the subcommittee held a day of hearings on the problems confronting the Federal annuitant. That session was notable in that we of the subcommittee came away with the feeling that the basic structure of the Federal retirement system was sound, but needed some review.

Later, the subcommittee adopted one of the main proposals brought forth at the earlier hearing and amended the bill to increase the Government's contribution of employee health insurance to allow retirees who left the Government service prior to 1960 a chance to join the Federal program.

Today we meet with the intention of hearing the various proposals to increase Federal annuities to keep pace with inflation and the cost of living—especially for those Federal annuitants whose income is very low.

Today the subcommittee will hear testimony from representatives of the Civil Service Commission and public witnesses on the merits of such bills as H.R. 7805 which provides for a graduated increase in Federal annuities so that the lower income group gains the greatest benefits.

(A copy of H.R. 7805, and the administration report received from the Civil Service Commission follow:)

[H.R. 7805, 92d Cong., first sess.]

A BILL To provide increases in certain annuities payable under 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) each annuity payable from the Civil Service Retirement and Disability Fund, under chapter 83 of title 5, United States Code (other than the annuity of a surviving child) having a commencing date prior to October 20, 1969, shall be increased in accordance with the following schedule:

If annuity is—		The amount of increase is—
Greater than—	But not greater than—	
0	\$3,600	13 percent of the annuity.
\$3,600	4,800	\$468 plus 9 percent of the excess over \$3,600.
4,800	6,000	\$576 plus 7 percent of the excess over \$4,800.
6,000	-----	\$660 plus 5 percent of the excess over \$6,000.

(b) Each annuity payable from the fund to the surviving spouse of an employee or Member whose annuity commenced prior to October 20, 1969, which commenced after October 19, 1969, and prior to the effective date of this Act, shall be increased in accordance with the schedule prescribed in subsection (a) of this section.

(c) Effective from its commencing date, an annuity payable from the fund to the surviving spouse of an employee or Member whose annuity commenced prior to October 20, 1969, which commences after the effective date of this Act, shall be increased in accordance with the schedule prescribed in subsection (a) of this section.

(d) This Act shall not authorize an increase in an additional annuity purchased at retirement by voluntary contributions.

(e) The monthly installment of annuity after adjustment under this Act shall be fixed at the nearest dollar.

SEC. 2. Subsections (a) and (b) of section 1 of this Act shall become effective on the first day of the second month which begins after the date of enactment of this Act.

U.S. CIVIL SERVICE COMMISSION,  
Washington, D.C., January 26, 1972.

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

DEAR MR. CHAIRMAN: This refers to your request for the Commission's views on H.R. 2187, a bill "To amend title 5, United States Code, to provide a minimum civil service retirement annuity of \$100 a month, and for other purposes." We would also like to volunteer our views on H.R. 7805, a bill "To provide increases in certain annuities payable under chapter 83 of title 5, United States Code, and for other purposes."

H.R. 2187 proposes that (with the exception of an additional annuity based on voluntary contributions) no annuity awarded under the Civil Service Retirement law shall be less than \$100 a month.

H.R. 7805 proposes that, effective the first day of the second month following enactment, all annuities payable from the Civil Service Retirement and Disability Fund having a commencing date prior to October 20, 1969, be increased in accordance with the following schedule:

If annuity is—		The amount of increase is—
Greater than—	But not greater than—	
0	\$3,600	13 percent of the annuity
\$3,600	4,800	\$468 plus 9 percent of the excess over \$3,600.
4,800	6,000	\$576 plus 7 percent of the excess over \$4,800.
6,000	-----	\$660 plus 5 percent of the excess over \$6,000.

The survivor annuity (except that of a surviving child) payable upon the death of a retired employee or Member of Congress who received an increase under this bill would be increased in accordance with the same formula. The proposed increases would not apply to any additional annuity purchased by voluntary contributions.

We are strongly opposed to the enactment of these bills for the following reasons:

The Civil Service Retirement law carefully relates annuities to length of service and salary levels. The concept of graduated annuity increases and minimum annuities would destroy this relationship.

Civil Service annuities are designed to enable a retiree to at least maintain his standard of living after retirement if he has completed a full career (about 30 years) with the Federal government. Many annuitants get benefits that are based on only a few years of work for the Government (as few as five for retirement annuities and as few as 18 months for survivor annuities). The annuities paid to or on behalf of these short-service employees are low, but they were never intended to be sufficient to support the annuitants.

A large number of low annuities go to people who have spent most or a good part of their working lives with private or non-Federal public employers. As a result, they receive social security or other staff retirement annuities or pensions. Many also are being paid veterans pensions or military retired pay.

Although inflation has had the effect of eroding the purchasing power of annuities, since 1962 the retirement law has provided for cost-of-living adjustments which have resulted in annuity increases averaging 42.2 percent.

Furthermore, enactment of H.R. 2187 would be inconsistent with the retirement law provisions for providing spouse survivor annuity benefits. Under the retirement law, the annuity of a retiring married employee is automatically reduced in order to offset a portion of the cost of providing survivor benefits for his wife (or her husband), unless at the time of retirement the employee elects in writing to receive an unreduced single-life annuity. The surviving spouse is then entitled to an annuity equal to 55% of the employee's annuity or of such portion thereof as the employee may have designated for this purpose. H.R. 2187 would authorize a \$100 minimum spouse survivor annuity, regardless of the amount of annuity that the retiring employee designates as a base amount for the survivor annuity benefits. Thus, if the retiring employee designated \$1 a year as the base amount on which to compute his spouse's survivor annuity, the surviving spouse would be entitled to the specified minimum annuity, while the employee annuitant would collect his annuity virtually unreduced.

Insofar as cost is concerned, enactment of H.R. 2187 would increase the unfunded liability of the Civil Service Retirement and Disability Fund by \$1768.3 million. Under the provisions of section 8348(f) of title 5, United States Code, this amount would be amortized by 30 equal annual installments of approximately \$109.6 million. Enactment of H.R. 7805 would increase the unfunded liability of the Fund by \$2,832 million; this amount would be amortized in 30 equal annual installments of approximately \$175.5 million. H.R. 2187 would also increase the normal cost of providing future retirement benefits by 0.22 percent of payroll.

For the reasons stated above, the Commission opposes enactment of H.R. 2187 and H.R. 7805.

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

By direction of the Commission:

Sincerely yours,

ROBERT HAMPTON, *Chairman.*

Mr. WALDIE. We will also hear testimony regarding H.R. 15973 and H.R. 15974 which also provide specific assistance to those lowest on the income scale.

I am hopeful that, as a result of today's hearing, the subcommittee will be able to meet and present a fair and equitable bill that will give Federal retirees an even break.

The Congress has not granted an actual increase in Federal annuities since 1961, although cost of living increases have been given. However,

even those cost of living increases have not really benefited the lower income retiree.

In approving the recent 20 percent increase in social security benefits, the President pointed the direction for Congress to act on behalf of the Federal annuitant.

Today we plan to hear what we can do, how much it will cost, and how we can finance it.

Does any member of our subcommittee desire to make a statement before we call our first witness?

Mr. SCOTT. This may be Tom Walters' last appearance before us as president of the National Association of Retired Federal Employees. Very briefly I would like to say that he is the type of representative we like to see come before the Congress because Tom lets us know clearly and forthrightly the position of his organization without trying to exercise undue pressure.

As he comes here today on what may be his last appearance, I would just wish him well in his retirement years. It has been very nice having him here with us.

I know, Tom, you are going to testify in a few minutes, but before we actually hear from the other witnesses, I would bid you welcome before our committee.

Mr. WALDIE. Thank you, Mr. Scott.

Mr. BRASCO, do you have any comments?

Mr. BRASCO. None; just to associate myself with remarks of my colleague, Mr. Scott.

Mr. WALDIE. Mr. Hogan?

Mr. HOGAN. I would just like to say everything Bill Scott said about Tom Walters is true. I am saying my prayers every night that he does not move to Maryland and run for Congress.

Mr. WALDIE. We have Mr. Daniels here, our former chairman of this subcommittee. I had just asked the members if they had any comment to make before we heard from our first witness.

Mr. DANIELS. I have known Tom Walters for a long, long time, and I want to say he is a very able and aggressive leader of our senior citizens. He has been of tremendous help to our committee in our deliberations.

He has appeared here many, many times in the past and expressed an interest in all legislation which would be beneficial to our retirees. I would like to join with my colleagues in expressing tribute to him today, and hope he is around for a long, long time.

Mr. WALDIE. Mr. Gross.

Mr. GROSS. Mr. Chairman, I have known Tom Walters since 1949 when I came to Congress. My associations with him have always been pleasant. I join in all of the kind remarks that have been made about him.

Mr. WALDIE. Thank you, Mr. Gross.

Our witness list has as its first three witnesses Members of Congress, and those Members are the Honorable Claude Pepper of Florida, the Honorable Joel Broyhill of Virginia and the Honorable Lawrence Hogan of Maryland.

The custom of the committee suggests that the member of the subcommittee who is seeking the right to testify is called upon first, and therefore I ask Congressman Lawrence Hogan for his testimony.

**STATEMENT OF HON. LAWRENCE J. HOGAN, A MEMBER OF  
CONGRESS FROM THE STATE OF MARYLAND**

Mr. HOGAN. Thank you, Mr. Chairman.

I appreciate this opportunity to present my views on the need for an immediate increase in annuities paid to retired Federal workers.

The Nation's elderly citizens, including our Federal Government retirees, are in financial trouble. Most of us in Congress have recognized the plight of our senior citizens and, over the years, we have supported programs designed to help them maintain at least a minimum standard of living during their retirement years.

Just recently we took a giant step forward in meeting the financial needs of our elderly by passing a bill providing a 20 percent increase in social security benefits and the President signed it into law on July 1, 1972. While this increase will put an additional 1.4 million aged above the poverty level, it will not help the retired civil servants of the Nation since they are not covered by the social security program.

As you know, social security is an income maintenance program designed to replace only a portion of income lost because of retirement. It is not a full retirement program. Old-age social security recipients must supplement their monthly check with: savings, funds from private insurance, and, for those who are fortunate enough to have them, annuities from retirement plans.

Retired Federal employees, on the other hand, are covered by a full retirement plan, the U.S. Civil Service Retirement System. One would think, then, that retired Federal workers would be better off than social security recipients. But this is not the case for many retired civil servants.

Mr. Chairman, more than—and I say more than because the figure I am about to cite is based on a June 30, 1971 report—more than 155,000 retired Federal workers will receive less every month from their retirement plan than the average monthly amount the typical social security recipient will receive when the 20 percent social security increase goes into effect on October 3, 1972. That is to say, this coming October, more than 22 percent of the retired Federal workers will receive a smaller benefit every month from the Civil Service Retirement System than the \$162 average monthly social security benefit which will be paid to a typical social security recipient.

Mr. Chairman, and fellow members of the subcommittee, I think a majority of you will agree with me when I say that an immediate increase in annuities for Federal retirees is needed.

Mr. Chairman, I was happy to cosponsor H.R. 8705, to amend the civil service retirement law to provide a graduated increase in annuities with a higher increase for those receiving lower benefits. The bill would increase annuities by 13 percent for those retirees who receive less than \$300 a month. For those who receive between \$300 and \$400 a month, the bill would increase annuities to \$468 plus 9 percent of the annual excess over \$3,600.

For those retirees who receive between \$400 and \$500 a month, the bill would increase annuities by \$576 plus 7 percent of the annual excess over \$4,800. For those who receive benefits over \$500 a month, H.R. 7805 would increase annuities by \$660 plus 5 percent of the annual excess over \$6,000.

Mr. Chairman, H.R. 7805 was introduced well over a year ago, and in view of this fact we may wish to reconsider whether the benefit levels set in the bill are adequate at this time.

At any rate, Mr. Chairman, I strongly urge that we act favorably and promptly on H.R. 7805.

Mr. WALDIE. Thank you, Mr. Hogan for an excellent statement, and also I wish to recognize your service on the Civil Service Committee. You have consistently been, in my view, responsible in your approach to assist the Federal employees.

Are there any questions from members of the committee? Mr. Brasco?

Mr. BRASCO. I have no questions. I just want to confirm that on page 2 of your statement when you say increased by \$468, you mean increased to \$468; is that correct?

Mr. HOGAN. That is right.

Mr. BRASCO. Thank you.

Mr. WALDIE. Mr. Scott.

Mr. SCOTT. I have no questions. I commend the gentleman for his statement and say it is not a new position for Larry to be for the retired employees. Thank you.

Mr. HOGAN. Thank you, Mr. Scott.

Mr. WALDIE. Mr. Daniels.

Mr. DANIELS. I have no questions, but I do want to compliment Mr. Hogan for his work on this committee.

You have done an excellent job.

Mr. HOGAN. Thank you.

Mr. WALDIE. Thank you, Mr. Hogan. I understand you have to go to one of your committee meetings.

Our next witness is Congressman Claude Pepper. Congressman Pepper served in the Senate for many years prior to coming to the House. We, who have followed his history, are well aware there are few people serving the U.S. Congress who have contributed as much as he to the solution of the problems of the people of this country.

Congressman Pepper has evinced as strongly and as ably as he could his concern for people in their desire to live in dignity. With that, Congressman, will you please proceed?

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

Mr. PEPPER. Mr. Chairman, I am grateful for your gracious words of introduction, and for the honor of appearing before the distinguished chairman and fellow members of this able subcommittee.

Knowing the compassion that the distinguished chairman and his fellow members have for their fellow citizens, I know that this committee is going to make recommendations that will be very meaningful for them.

I am happy to be numbered among the Members of the House who have introduced identical bills meant to rectify a gross injustice to those many Federal retirees or their surviving spouses whose annuities are not computed under the formula of the civil service retirement amendments enacted in 1969.

The primary difference between the method of computing retirement annuities under the 1969 amendments and the method used for com-

puting other annuities is the use of a "high-3-year" average income as against a "high-5-year" basis.

In an inflationary economy where salaries and wages of Federal employees are pegged in some partial correlation with rapid increases in the cost of living, such a difference in the basis on which retirement benefits are calculated works a severe injustice against those whose annuities are figured on an average derived from a 5-year base period.

H.R. 9375 therefore provides a schedule of increases for "each annuity payable from the civil service retirement and disability fund, having a commencing date prior to October 20, 1969," the effective date of the 1969 amendments.

The same schedule of increases applies to the annuities of those surviving spouses not covered by the 1969 amendments. Although payment of the survivors' annuities may have commenced after the 1969 amendments—and prior to the effective date of this proposed legislation—these annuities were of course figured on the 5-year average under which their deceased annuitants' retirement pay was originally based. Therefore, H.R. 9375 provides that, "Each annuity, payable from the fund to the surviving spouse of an employee, whose annuity commenced prior to October 20, 1969, which commenced after October 19, 1969, and prior to the effective date of this act, shall be increased in accordance with the schedule prescribed in subsection (a) of this section."

Surviving spouses whose annuities are similarly "5-year-high-average" based, but which commence after this new legislation, are covered in subsection (c): "Effective from its commencing date, an annuity payable from the fund to the surviving spouse of an employee, whose annuity commenced prior to October 20, 1969, which commences after the effective date of this act, shall be increased in accordance with the schedule prescribed in subsection (a) of this section."

The new legislation stays within reasonable bounds by not authorizing increases in any additional annuities purchased at retirement by voluntary contributions of annuitants.

I strongly urge the committee to report out favorably this acutely needed bill. Doing so will accord simple justice to Federal retirees or their surviving spouses whose retirement benefits are considerably less than those received by retirees after October 20, 1969.

The members of the group which this proposed legislation will treat equitably, well served their country and its government during difficult times in our national life. Members of Congress must not permit those who have been good and faithful servants of their country's government during their active and productive working lifetimes, to become embittered in their declining years by unfair treatment on the part of that very same government and former employer.

Can it be thought that changing the rules on which retirement benefits are calculated, as was done in 1969 only as to those who subsequently retired, can have any other effect than the embitterment which injustice inevitably engenders?

At this time, in this case, we must not heed the adjurations of the Office of Management and Budget's phalanx of accountants and economists—who I fear concern themselves with statistics and figures and not meeting the needs of people—who say that we should not increase what they are pleased to call "employee benefits."

These are people we are talking about who have homes to maintain, children to support, and obligations to bear in a great free society.

We have before us now a deplorable situation requiring the intervention of Congress to correct an inequity of its own creation. Federal retirees and their survivors, those to whom we must do justice, are the very ones for whom the Federal Government ought to have a special concern even in the absence of injustice wreaked upon them by Congress itself. We must not let them down. We must enact this bill.

I am sure this distinguished committee will.

Mr. WALDIE. That is an excellent statement, Senator Pepper.

Are there any questions of the members? Mr. Brasco.

Mr. BRASCO. No, I have no questions, Mr. Chairman, except to join in your observations about the great contributions of Congressman Pepper.

It has been my assessment, that no matter what the endeavor Congressman Pepper has been a leader.

Mr. PEPPER. In all those endeavors the members of this subcommittee have had leadership and have done a magnificent job.

Mr. WALDIE. Mr. Scott.

Mr. SCOTT. No questions, Mr. Chairman.

Mr. WALDIE. Mr. Daniels.

Mr. DANIELS. No, Mr. Chairman. I just join with my fellow members in commending Mr. Pepper for his excellent contribution.

Mr. PEPPER. I want to say that many, many thousands of Americans all over this country are living better today because of what you gentlemen sitting right here have done for them in the Congress, and I am sure they are all grateful. [Applause.]

Mr. WALDIE. Our next congressional witness is the Honorable Joel Broyhill from Virginia. Those of us who have lived in this area certainly are aware he is one of the most ardent champions of the Federal employee, and we are very pleased to have him before us.

Congressman, please proceed.

#### STATEMENT OF HON. JOEL T. BROYHILL, A CONGRESSMAN FROM THE STATE OF VIRGINIA

Mr. BROYHILL. In deference to the heavy schedule of witnesses that the committee has this morning, and further in view of the fact that the previous witnesses have pretty well covered the subject matter of my testimony, I should like to submit my statement for the record and make a few brief remarks.

Mr. WALDIE. We will include it in its entirety.

(The prepared statement follows:)

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

Mr. Chairman, last year when I accepted the Chairman's invitation to co-sponsor H.R. 7805, to increase annuities for retired Civil Servants, I did so because of my conviction that in spite of our action to provide for automatic cost-of-living increases, our retired Federal employees were still inadequately compensated for their service to their Government. In only a few cases were they eligible for the combination of Social Security and annuity now available to many annuitants in the private sector, and as a result they continued to lag behind their contemporaries in their ability to sustain themselves.

Now, in view of the 20 percent increase the Congress has just enacted in Social Security, the plight of our Federal retirees is relatively even worse.

As our Committee Colleagues may know, the U.S. News and World Report published a survey in June of the effect the President's wage-price freeze on salaries and annuities. They determined that workers and annuitants in 31 categories now have more weekly buying power than they did before controls began, but retired Federal workers, whose average weekly pay before taxes had remained constant at \$79, had actually \$1.34 less buying power after allowing for higher prices and taxes than they had in August 1971. The buying power of Social Security recipients was also down, by \$.56 in June, but they will far outstrip Federal retirees when their new increase becomes effective unless we act to narrow the gap.

It has now been more than six years since Federal retirees received a general increase. Their cost of living increases over that period total 31.6 percent as opposed to the new total for Social Security of 58 percent. Of approximately a million retirees, almost three-fourths receive less than \$300 a month, the major portion of which they must spend for food, rents and services which the elderly must have to survive, but also the items which have consistently led the upward spiral of inflation.

H.R. 7805 provides for an increase of 13 percent on annuities up to \$3,600; 9 percent on amounts between \$3,600 and \$4,800; 7 percent on amounts between \$4,800 and \$6,000; and 5 percent on all above \$6,000. In view of what the Congress has done about Social Security, I believe these amounts are the absolute minimum we can in good conscience give our own former employees.

Mr. Chairman, this is good legislation and urgently needed by those who served this Government throughout their working lives. I believe it deserves favorable consideration by this Committee. I urge the Committee to take this step toward enabling our retired Civil Servants to live their retirement lives in comfort and dignity.

Mr. BROYHILL. Mr. Chairman, I would like to associate myself with your remarks at the opening of the committee meeting in support of this legislation, and to thank you for giving me the opportunity to be a cosponsor with you.

I particularly want to associate myself with your remarks and the remarks of the other gentlemen on the committee concerning our good friend Tom Walters. He has been around so long and worked so hard on Federal employee legislation, he kind of considers himself one of the family.

I cannot conceive of Tom not being here taking an official part in our legislative process, and I am sure that we will hear from him in the future. He is still a war horse, and he is not going to be out of any action.

Mr. Chairman, I was first elected to Congress in 1952, and I had the privilege of serving on this distinguished committee for my first 13 years in the Congress. Tom Walters sort of took me under his wing when I first arrived, and helped to advise me on the problems of civil service employees. I don't think he has ever steered me wrong in the years that I have been listening to his advice.

Mr. Chairman, this is a modest piece of legislation. It addresses itself primarily to those retired civil service employees who make under \$300 a month. It is my understanding, that three-fourths of all retired civil service employees are in that category.

A few years ago this committee did enact some very progressive legislation providing for an automatic cost-of-living increase for the retired employees, and incidentally we are trying to inaugurate that in the social security program now.

The record shows that the increases by virtue of that legislation amount to 31.6 percent since January of 1967. But it only helped the

retired civil service employee to stay even, to maintain a status quo. It did nothing to increase his standard of living and provide himself and his family with more of the basic necessities of life. That is what we hope to do to a minor degree with this legislation.

When we compare it with social security for that same period of time, we find the total increase for the social security beneficiary totaled 58 percent, including the 20 percent which will become effective this year.

Here we as the Congress tell other employers of the country what they must do to provide survivors' benefits or retirement benefits for their employees, I think we as employers should set an example and be just as generous, just as cognizant of the problems of the people who have given the better part of their lives in service to our Government, to recognize their problems in their years of retirement.

When we report employee benefits legislation there is generally the question of whether we can afford the cost. I submit, Mr. Chairman, we are going to get exactly what we pay for. There is no such thing as bargain basement hunting when you are dealing with human beings.

I think that anything that this committee, this Congress, does to show appreciation and concern for those who have served our Government over the period of years is going to lift the morale not only of the retired people but the active employees as well, and going to make the Federal Government look like a more attractive place, a better place in which to work, and will cause young American citizens to look to the Federal Government for a career in the future.

So we will get better and more efficient employees if we make the Government a better and more attractive place in which to work.

I submit you would not have any consequent cost involved in doing what I feel is proper, in providing a little better standard of living for those who serve and have served our Nation.

Mr. WALDIE. I commend you for a very excellent statement.

Mr. BRASCO.

Mr. BRASCO. I note that you were a member of this committee for some period of time before I came aboard. I get the distinct feeling that you have never left it.

Mr. BROYHILL. I always feel at home when I come around. I always feel as if I should be sitting on that side rather than this side.

Mr. WALDIE. Mr. Scott.

Mr. SCOTT. Mr. Chairman, I also want to welcome my colleague from the adjoining district in Virginia, and would add my voice in saying that Joel Broyhill has been a champion of the Federal employees and Federal retirees during his entire 20 years in the Congress. We are glad to have you. [Applause.]

Mr. BROYHILL. I have a few constituents sitting here in the audience this morning.

Mr. WALDIE. Mr. Daniels.

Mr. DANIELS. Mr. Chairman, it is always a pleasure to have Joel work with this committee. I regret that he saw fit to leave it. I do want to say that there is one fault I find with him, that he is not a Democrat.

Mr. BROYHILL. We are a nonpartisan community over there in northern Virginia.

Mr. WALDIE. Mr. Broyhill, we deeply appreciate your coming before the committee, and again my compliments for a most excellent statement.

Mr. BRASCO.

Mr. BRASCO. I just wanted to mention, Mr. Chairman, that I have to leave because I am a member of the Banking and Currency Committee, and the housing bill is being marked up in committee right now.

It is the kind of bill that I am sure all of us, as well as millions of Americans, are interested in. I just want to assure you as I leave that I will give this bill my close and careful consideration, and work to get the kind of legislation that brings dignity to our retirees.

Thank you so much. I am sorry that I have to leave.

Mr. WALDIE. Our next witness is our good friend who is before the committee quite often, Mr. Andrew Ruddock, Director, Bureau of Retirement, Insurance and Occupational Health, U.S. Civil Service Commission.

Andrew, we welcome you before the committee once again. Your statement will be included in the record in its entirety, and you may proceed as you desire.

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

Mr. RUDDOCK. Thank you, Mr. Waldie, and members of the subcommittee. I consider it a privilege to be asked to appear before you this morning.

If I may I would like to join in the recognition of Tom Walters. It has been my privilege to know Tom for well over 20 years and to work closely with him for a period of more than 6 years. There is no question about Tom's interest in his fellow humans. Tom himself is a fine human being, and I consider it a privilege to be one of his friends.

Mr. Chairman, once again it is my role to speak what probably will be the only discouraging words you will hear from a witness this morning.

Recognizing the witness list and your request for brevity, with your permission I would like to ask that my statement be included in the record as if read.

Mr. WALDIE. Yes, it will be.

(The statement referred to follows:)

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

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear this morning to present the Civil Service Commission's views on H.R. 2187 and H.R. 7805. The Commission formally reported on these bills in its letter of January 26, 1972, to Chairman Dulski, and I would like to suggest that this letter be made a part of the record.

The purpose of each of the bills under consideration today is to increase annuities, in somewhat different ways.

H.R. 2187 would provide a guaranteed minimum annuity of \$100 a month for every retired employee and survivor annuitant.

H.R. 7805 would increase annuities beginning before October 20, 1969, on a graduated basis depending on the amount of annuity being paid, with the lowest

annuities receiving the highest percentage increase. Survivor annuities for children would not be affected by this bill.

In its report on these bills, the Commission opposed enactment of both H.R. 2187 and H.R. 7805. The Commission is also opposed to H.R. 15973, H.R. 15974, and all other similar bills. These bills are expressly designed to benefit, and are therefore more heavily weighted in favor of, particular classes of annuitants, according to the amount of their annuities. Such proposals conflict with the basic design and objective of the Civil Service Retirement System, which is a staff retirement system under which the amount of benefits is related to the employee's salary and length of service—in other words, to the value of services rendered.

Under the staff retirement concept of the Civil Service Retirement System, the annuity payable after a full career of 30 to 35 years should be large enough to enable the employee to have a standard of living in retirement which is reasonably close to his standard during his working years. By the same token, an annuity based on less than a full career should not be expected to provide more than a proportionate part of the retirement income. We have many annuitants whose benefits are based on only a few years—as little as 5 years—of work for the Government. The annuities paid to, or on behalf of, these short-service employees are low, but they were never intended to be sufficient to fully support the annuitants.

Many of the low annuities go to people who have spent most or a good part of their working lives with private or non-Federal public employers. As a result, many of them also receive social security benefits and in some instances other staff retirement annuities or pensions. In general, short Federal service raises a probability of retirement income based on service for other employers.

There is no question that in many retirement plans, inflation has the effect of eroding the purchasing power of annuities—not only of small, but also of larger annuities. Increases in annuities under these plans are necessary and can be justified from time to time to adjust their purchasing power so as to compensate for the inflation factor. Such is not the case with civil service annuities. The Civil Service Retirement System already provides for automatic cost-of-living adjustments closely geared to the Consumer Price Index. These adjustments have resulted in 5 annuity increases during the last 4 years. The increases have amounted to 26.2 percent over this 4-year period. The most recent adjustment is a 4.8 percent increase which became effective on July 1, 1972. In our judgment, the automatic cost-of-living provision in the Civil Service Retirement System is an efficient mechanism for maintaining the purchasing power of the annuity dollar. It relieves the basic problem of annuities being adversely affected by inflation which our annuitants would otherwise have. It has been adopted by other Federal retirement systems, and now by the Social Security System.

I would also emphasize that annuity increases are costly. In January of this year we estimated that enactment of H.R. 2187 would increase the unfunded liability of the Civil Service Retirement System by almost \$1.8 billion; H.R. 7805 by over \$2.8 billion. These amounts would, as provided under current law, be amortized by 30 equal annual installments of \$109.6 million and \$175.5 million, respectively. In addition, H.R. 2187 would increase the normal cost of providing future retirement benefits by .22 percent of payroll.

The Commission's position in opposition to these bills, and to other similar bills, is not taken because of lack of sympathy for retired employees and survivors whose annuities are low. We appreciate that there are many persons now on our annuity rolls who have less than an adequate income. The Commission understands fully the position some of these people are in, but we do not believe the retirement system is the appropriate medium for providing an adequate income to every annuitant.

In the light of the urgent need to exercise fiscal restraint, emphasized by the Director of the Office of Management and Budget and the Secretary of the Treasury on July 25, 1972, we do not believe another increase for all annuitants, coming on top of the 4.8 percent cost-of-living increase effective July 1, 1972, is justified.

The Commission therefore recommends that no action be taken on any of the proposals for additional annuity increases.

Mr. RUDDOCK. Let me just summarize very briefly so you can get on with the rest of the committee meeting.

Very briefly, the position of the administration is that in view of the urgent need to exercise fiscal restraint, an urgent need emphasized just the day before yesterday by the Director of the Office of Manage-

ment and Budget, and the Secretary of the Treasury, the administration recommends that the committee not take any action on any of the bills proposing increases in annuities.

This position I assure you is not taken in a vacuum. It is taken with the recognition that the civil service retirement system is one which has as a fundamental concept a gearing of the amount of the benefit to the value of the services as represented by the length of service and the salary of the employee.

It is a system in which we have automatic cost of living adjustments, whereby the purchasing power of the annuity and the original relationship of that annuity to the service and salary are maintained by increasing annuities as the cost of living goes up.

The retirement system itself is one which is intended to, and I believe does, provide full retirement income to an employee who retires after a full career. It is intended to provide only partial income where part of a career is spent in Federal service and the rest of the working career is spent working for other employers.

Again, just in summary, this position of recommending against enactment is primarily a recognition of the need for fiscal restraint at this particular time.

Mr. WALDIE. I simply want to comment on that position, and I suspect that you cannot really respond.

Every time there is a need for the exercise of fiscal restraint, I find it used as an excuse—and the need does exist—to deny Federal employees benefits what everyone concedes they ought to receive.

Generally the rhetorical response is that though this is a desirable benefit for the Federal employee, fiscal restraints dictate that we cannot provide this benefit. Yet I see in terms of fiscal restraint we provide enormous “benefits” to all sorts of things.

The cost, for example—and I happen to be hung up on this priority—for just the escalation of the Vietnam war, just the bombing of North Vietnam, is \$50 million a week. Fiscal restraint never seems to intrude itself when we are attempting to improve the quality of life for the Indochinese by bombing the North or by paying for military actions in Indochina.

The excuse that we have made a commitment, and that if we do not fulfill our commitment we will lose respect in the eyes of the world, I personally respond to in this way, that the Government has made a commitment to its people, and it has made a specific commitment to its employees that they will be treated fairly and equitably.

It would seem to me it is equally important to this Government not to lose face to citizens and employees by failing to recognize their achievements because we must uphold a commitment for some other foreign country.

I have great disagreement with the position the President has taken over the efforts to improve the status of Federal employees. I particularly have disagreement with it when the President signed a bill permitting a 20-percent increase for non-Federal employees in their social security retirement benefits. That seems to me to be glaringly inconsistent with the position the President has taken relative to increasing in a very minimal way the benefits for Federal retirees.

Can you respond just to that portion of my comments? How does the President, the administration, justify a 20-percent increase for

the retirees other than Federal retirees, and not approve an increase in the benefits for Federal employees?

How is that inconsistency reconciled under the altar of fiscal restraint?

Mr. RUDDOCK. I do not think it can be completely reconciled. Let me point out just one difference between the two systems.

The social security system has just now adopted a provision for future adjustments relating to changes in the cost of living. We have had that in the civil service retirement system, first put in in 1962. It really did not operate until it was amended by Congress in 1965.

Under that cost-of-living adjustment we have had five annuity increases within the past 4 years. I really do not know—I can only speculate—but I wonder if the social security benefits would have been increased by 20 percent at this particular time if they had also had a cost-of-living adjustment provision over the years.

Mr. WALDIE. I do not know the answer to that. Let me just ask another question in terms of the fiscal restraint that motivates the administration to oppose this bill.

What would be the cost of this bill?

Mr. RUDDOCK. To which one are you referring specifically, Mr. Waldie?

Mr. WALDIE. H.R. 7805.

Mr. RUDDOCK. H.R. 7805, we estimate, would increase the unfunded liability of the retirement system by \$2.8 billion. That would be financed under the financing system adopted in 1969 by 30 annual installments of \$175.5 million each.

Mr. WALDIE. All right. Let me establish another point.

The administration believes that the equity to the employee requires the enactment of such a bill, but this is the wrong time because of fiscal restraints. Is this a fair statement of their position?

Mr. RUDDOCK. Mr. Waldie, I do not believe I am prepared to indicate that the administration—

Mr. WALDIE. I gather the reason they object to it is fiscal restraint, and that would seem to imply that the budget does not permit this benefit to be given to Federal employees.

Mr. RUDDOCK. I think that the position is based primarily on the need for fiscal restraint. It is based on the fact that in the light of that restraint there is not sufficient justification for another increase in the annuities which, as you know, were increased the first of this month by 4.8 percent.

I am not in a position to say the administration would be recommending an enactment of this or any of the other bills in the absence of fiscal restraint.

Mr. WALDIE. All right. You see, I think that is important for the committee to know because if it is simply a position that we do not have the money this year for this bill, that is one thing, but if the other position is the administration believes the Federal retirees are well treated at the present time, and we do not have to increase the benefits, that is another problem.

My own view is that this is in essence the position the administration believes, that the Federal employees are living in sufficient luxury, their retirement need not be increased. They are using the excuse of budgetary limitations to implement that real desire, but that is a very, very shallow excuse.

If they would stop this bombing and shelling of North Vietnam for 3 weeks, they could pay for the whole package involving this bill. That would seem to me to be a fair indication that fiscal restraint is not really what is at stake here; that what is really at stake is the administration's belief that retirees under the system are well taken care of, and for the Congress to consider they need any improvement in their benefits is not a proper policy.

Mr. RUDDOCK. Let me hasten to add that we recognize fully that many of these annuities are by no means adequate to support the individual, but again I would remind the committee that in a system which gears its benefits to length of service and to salary, the benefit which is based on either short service or a very low salary is not intended to be the full retirement income. But this is by no means saying that we consider all of the annuitants as being well off.

Mr. WALDIE. Mr. Daniels.

Mr. DANIELS. I have a question, Mr. Chairman. How much is currently being disbursed in annuity payments each month, Mr. Ruddock?

Mr. RUDDOCK. The monthly disbursement for all annuitants is about \$285 million.

Mr. DANIELS. How much does 1 percent increase in annuity benefits add to the system's deficit?

Mr. RUDDOCK. Each 1 percent for all those on the roll would increase the unfunded liability by \$325 million, and that could be amortized by 30 annual payments of \$20 million each.

Mr. DANIELS. In other words, you are saying each 1 percent increase in annuity payment amounts to \$325 million annually?

Mr. RUDDOCK. Yes. That is the increase in the liability.

Dr. DANIELS. On July 1 of this year, a 4.8-percent cost-of-living adjustment was given to our retirees. However, an additional unfunded liability was created by virtue of this cost-of-living increase.

Mr. RUDDOCK. Doing some quick arithmetic, that would be about \$1,400 million in liability. This was an automatic increase under the provision which is in the law, and it is one which does not require 30-year amortizing. This one will be funded in the future by an increase in the automatic transfer from the Treasury.

Mr. DANIELS. What did you say that figure was?

Mr. RUDDOCK. About \$1,400 million, Mr. Daniels.

Mr. DANIELS. What do you estimate to be the total liability to the system at the present date?

Mr. RUDDOCK. About \$61 billion.

Mr. DANIELS. In 1969 we increased the contributions of the employees as well as the employees' agencies in order to put that fund on a sound financial basis. If my memory serves me correctly, the unfunded liability as of July 1, 1969, according to representatives from your office, was about \$65 billion. Is that true?

Mr. RUDDOCK. Yes.

Mr. DANIELS. Was that not so?

Mr. RUDDOCK. Yes.

Mr. DANIELS. Therefore, there has been a reduction in the unfunded liability of \$4 billion since 1969?

Mr. RUDDOCK. Yes, sir. That would have come about because the most recent valuation by the Board of Actuaries recognizes 5 percent

as the assumed interest income for the fund. The previous valuation had been made using a 3½ percent interest assumption.

Using the 5 percent interest assumption, which is quite realistic in terms of today's investments, this reduced the unfunded liability and also reduced the normal cost of the system.

Mr. DANIELS. Do you anticipate there will be a further reduction in the unfunded liability in the future?

Mr. RUDDOCK. No, sir. I believe only one of two things could further decrease the liability. One would be a decrease in benefits, which I believe is not contemplated. The other would be if interest income continued for a period of time at a level which would warrant an assumption of a higher interest rate.

But the present financing method in and of itself is not reducing the unfunded liability.

For example, the unfunded liability is increased each time we have one of these cost of living increases that come automatically under the system. That is an addition to the unfunded liability.

Also, as you will remember, the financing method in effect requires payment of interest on unfunded liability, but beginning at 10 percent in 1970, 20 percent in 1971, and building up so that the full interest will be met beginning in 1980. Until we reach the point of the fund receiving the full interest on unfunded liability, it will continue to grow, grow in the same way as if you had a mortgage on which you were not paying the full interest.

Mr. DANIELS. You said in the last 5 years or 4 years the cost of living increase—

Mr. RUDDOCK. Five increases in the past 4 years.

Mr. DANIELS. Do you think the Congress ought to provide for funding the costs of the unfunded liability for these automatic increases?

Mr. RUDDOCK. I do not believe I would recommend reopening the financing methods for that purpose. That was considered in 1969. The legislation which was enacted on October 20, 1969, Public Law 91-93, was a compromise among a number of different views, but it did specifically intend that the automatic cost of living increases would not require annual appropriations or amortizing over a 30-year period.

Mr. DANIELS. We ought to keep the fund on a sound financial basis. Given an inflationary period of time, I do not see any signs immediately of any deescalation in the cost of living.

How can we protect the best interests of all our retirees, not only those who are retired today but those who will retire in the future?

Mr. RUDDOCK. The amount of unfunded liability will continue to grow with each automatic cost of living increase unless appropriations are made to amortize it. However, one of the other provisions in the financing method, the one by which the Secretary of the Treasury transfers to the fund the equivalent of interest on that unfunded liability, actually puts the system in the same position it would be in if the total amount of the unfunded liability were appropriated, immediately invested in interest-bearing securities of the United States, and the interest transferred as interest on securities, rather than as interest on the unfunded liability.

Mr. DANIELS. You anticipate my next question. I was going to ask you what you thought of direct transfers from the Treasury.

Mr. RUDDOCK. I think that is an excellent provision. I think that is one of the best features of our financing method.

Mr. DANIELS. Why do you think it is done?

Mr. RUDDOCK. It is done for payment of interest and done to reimburse the funds for annuities which are paid out because of military service.

Mr. DANIELS. Do you think we ought to do the same thing with respect to cost-of-living increases?

Mr. RUDDOCK. Again I would not propose that we reopen the financing method to shift that financing from the interest transfer over to the amortization method.

I think the present method will assure that at any given point the money will be in the fund when it is needed to meet benefit disbursements.

Mr. DANIELS. I have one further question. What percentage of civil service annuitants also receive social security benefits?

Mr. RUDDOCK. I do not have any very up-to-date information on that. Over the years in the past the Civil Service Commission has made two different studies as to the other income of retired employees. In neither of these did we inquire about the other income of survivors.

But as to the retired employees themselves in a study we made in 1957, we found that 26 percent of the retired employees also received social security benefits.

We made another study in 1964, and in that 7-year period the percentage of retired employees who also received social security had gone up to 40 percent.

I do not have any information later than 1964, which of course is 8 years ago. This information that I am giving the committee appears in a committee print of this committee called Survey of Income of Civil Service Annuitants, and it is dated March 19, 1965.

Mr. DANIELS. There was no study made in the last 8 years?

Mr. RUDDOCK. Not by the Civil Service Commission; no, sir.

Mr. DANIELS. Is there any information available from any other source relevant to that question?

Mr. RUDDOCK. No. The closest to it I have is a report to the Ways and Means Committee of the House of Representatives from the Department of Health, Education, and Welfare in January of 1969.

This says: "Preliminary data from a current study indicates that a little more than 40 percent of the annuitants retired from the Federal service who were included in the study are drawing social security benefits."

But I do not have the basic data that goes behind that. That is still 40 percent which may be just a coincidence with the second study, or that may be a reflection of the study made by the Civil Service Commission in 1964. I really do not know.

Mr. DANIELS. Thank you.

Mr. WALDIE. Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

I do feel as the only representative of the minority here that I should respond briefly to the gentlemen's comments. This is a political year, and I believe we all should bear this in mind.

I have nothing but commendation for the President's efforts with regard to Vietnam, because we must remember that this is the situation that he inherited. I think he has done an excellent job, but I see no purpose for the chairman and me to debate this as we are in complete disagreement. However, I think the record should show this.

Mr. Ruddock, Mr. Broyhill testified that three-fourths of the Federal employees receive less than \$300 a month. Do you have any figures on this? This concerns me if it is accurate.

If you do not have the answer to that specific question, could you give us some sort of an indication as to the percentage that receives various amounts under the retirement system?

Mr. RUDDOCK. I would have to make a calculation to give it precisely in the terms in which you ask, but let us divide the annuity role between retired employees and survivors, because the annuities of survivors are considerably lower than those of retired employees.

Mr. SCOTT. Just give the retired themselves, if you will.

Mr. RUDDOCK. Of retired employees, 30 percent receive less than \$200 a month; less than \$300 a month would be—my calculation comes out a little over 50 percent, somewhere between 50 and 55.

Mr. SCOTT. You are saying half of the retirees receive less than \$300 a month?

Mr. RUDDOCK. Yes, sir; and of the survivors, picking again the \$200 figure, which is one of the stopping points on my worksheet, 82 percent of the survivor annuitants receive less than \$200 a month.

Mr. SCOTT. Of these survivors, 80 percent—

Mr. RUDDOCK. Are under \$200 a month.

Mr. SCOTT. Mr. Chairman, I believe this shows where our work should be directed. I am very much concerned about the man who has worked with the Federal Government for any appreciable amount of time who receives less than \$300 a month.

These persons you mentioned—the 30 percent that receive less than \$200—the ones who have worked for the Government only a short period of time? Are they getting other retirement income? Are they just a casual Federal employee? Do you have anything on this?

Mr. RUDDOCK. We do not have any current information that relates other income to the size of the annuity.

I would point out that under the retirement system an annuity benefit is payable to an employee with service as brief as 5 years, and if an employee during his life time works for the Federal Government for a short period—5 years, 10 years, 15 years—I do not know where to draw the line, the chances that he worked for some other employer and the chances that he would be under social security are much greater than if you have a Federal employee who has a 35- or 40-year Federal employment. It is not too probable that he has also worked for other employers long enough to earn social security benefits.

Mr. SCOTT. You are saying that every person who draws an annuity did spend at least 5 years. There are no exceptions?

Mr. RUDDOCK. There is no exception. The law has never given an annuity to a retired employee who had less than 5 years in service.

Mr. SCOTT. Mr. Ruddock, we were talking a few minutes ago—the chairman was—about the Office of Budget and Management, and the possibility of a veto of any action that this committee of the Congress might take.

I had read the President's statement of yesterday in a message to the Congress, that he did intend to veto all pending bills. His statement was not related specifically to this measure, but indicated an intent to veto all spending bills above the budget in an effort to control inflation.

I am just wondering if we would confine our action to those receiving the lower amounts. Could you express some opinion as to the administration's position on this?

Suppose we confine this to those receiving an annuity of less than \$,6000 a year. Would that have any effect on the acceptance by the administration?

Mr. RUDDOCK. I need to answer that very carefully. I think we are talking now perhaps in terms of ranking bills in an order of less objectionable.

Mr. SCOTT. Well, that is right.

Mr. RUDDOCK. I am not authorized to state any position other than one of recommending that no action be taken on any of these bills.

Mr. SCOTT. As far as I am concerned, I am ready to take some action. However, my thought is along the lines that would relate to those having the greatest need, and I am not particularly concerned about the highest bracket, who have been receiving this cost of living. I am concerned about those receiving less than \$200-\$300 a month. I think we all should be concerned about that.

How long have you been with the government?

Mr. RUDDOCK. Thirty-three years.

Mr. SCOTT. I thought it had been something of this nature, but you can express an opinion. Would the likelihood of any veto be less if it were related to the lower brackets, lower annuity group?

Mr. RUDDOCK. Let me see if I can answer it this way. From a technical viewpoint if the objective is to help those who need help the most, you can get a lot more for your dollars by concentrating it on the people with low annuities rather than spreading it across the entire annuity role.

In the sense of limiting any action by the Congress to the lower annuitants, it would seem to me it would result in a lower cost—and I can only speculate that that would lessen the probability of the veto. I really do not know.

Mr. SCOTT. Would you know what recommendation your Commission would make? Certainly I would think that the Commission would be consulted. What would be your own thinking on this?

I will help you get another job.

Mr. RUDDOCK. Thank you, Mr. Scott.

Mr. WALDIE. Furthermore, if I may interrupt, if that terrible event happens, and we get this legislation passed, you will benefit in that regard.

Mr. RUDDOCK. Mr. Scott, you have asked for my personal opinion. My personal opinion is that I had better repeat the position of the administration as recommending against enactment of these bills.

Mr. SCOTT. Mr. Chairman, I will not pursue this any further, but I will state my own position. I believe our committee should concentrate on the lower amounts, not suggesting that nothing be done for the higher amounts.

Thank you, Mr. Ruddock.

Mr. WALDIE. In connection with Mr. Scott's line of questioning, H.R. 5973 provides that a monthly annuity for all retirees and survivors not be less than the minimum amount authorized in the Social Security Act, and I understand that is \$84.50 per month. I further understand that there are about 145,000 annuitants and survivors who receive less than \$84.50 per month.

Is that correct?

Mr. RUDDOCK. Yes, sir. Actually the \$84.50 which will be the social security minimum primary amount beginning, I believe, in September under this recent legislation would convert to \$85 a month under the civil service retirement system, because the annuities are adjusted to the nearest dollar, and 50 cents is raised to the next higher dollar.

So effectively we are talking about an \$85 a month minimum under the bill you have mentioned.

Mr. WALDIE. In the figure that you gave of 30 percent of retirees or survivors receiving less than \$200 a month, within that 30 percent would be this 145,000 figure who are receiving less than \$85 a month.

Mr. RUDDOCK. Yes, sir. That 30 percent was retired employees. The percentage on survivors was much higher than 30.

Mr. WALDIE. I see. Of the 145,000, would you have any idea how many of those are employees who receive less than \$85 a month?

Mr. RUDDOCK. Yes, sir. That 145,000 would include 66,300 retired employees, 5,000 child survivors, and 74,000 other survivors. Most of the survivors would be widows.

Mr. WALDIE. In my understanding, in that group of 145,000, the 66,300 breakdown of employees would have reference to the 30 percent of less than \$200.

Your 30 percent figure receiving less than \$200 dealt only with retired employees?

Mr. RUDDOCK. Yes; less than \$200.

Mr. WALDIE. Of that 66,300 who are receiving less than \$85, what percent of those total retirees are employees? Do you know that?

Mr. RUDDOCK. Yes, I do. I need to add some figures.

Mr. WALDIE. You may give me this just roughly.

Mr. RUDDOCK. That is the 66,000 figure, and that would be almost 10 percent of the annuitants, not quite. The total number of retired employees is 711,000, and so it would be between 8 and 9 percent.

Mr. WALDIE. What is the cost alone of H.R. 15973?

Mr. RUDDOCK. That would increase the retirement liability by a total of \$653 million, and amortizing that over a 30 year period, would require an annual payment of \$40.5 million.

Mr. WALDIE. That bill was opposed by the administration because of fiscal restraint?

Mr. RUDDOCK. Yes, sir.

Mr. WALDIE. Would you describe to me the type of employee who is receiving less than \$85 a month retirement benefit? How long has he served? Do you have that type of information?

Mr. RUDDOCK. About 5,000 of these would be children.

Mr. WALDIE. No. Of the—

Mr. RUDDOCK. Of the retired employees?

Mr. WALDIE. Yes.

Mr. RUDDOCK. You would have to find either short service or a low salary or a combination of the two.

Mr. WALDIE. Short service in any event would be more than 5 years?

Mr. RUDDOCK. Yes, it would.

We had correspondence from annuitants receiving small amounts, and looked back to find out why the amounts were small. As I remember it, Mr. Walters had invited correspondence from those with or more than 15 years of service.

Just coming down and looking into actual cases as to what the combination was, here we have one where the current annuity rate was \$38. This was an individual whose annuity at the time he retired was \$27, so that he had been increased.

Mr. SCOTT. When did he retire, if I might ask, Mr. Chairman?

Mr. RUDDOCK. I do not have that information, but it would, I presume, have been some time ago because his average salary was \$2,827. He had 7 years of service.

On the next one the current annuity was \$47 a month. The original annuity had been \$33. That was an individual who had 23 years and 7 months of service, but his average salary was \$533 a year.

Mr. WALDIE. Why would that be? Would that be a part-time employee?

Mr. RUDDOCK. Probably part-time only in a sense of its not being a job that required 40 hours a week.

We do not have this situation any more, but some time back we had many fourth-class postmasters throughout the United States where the income of the postmaster was related to the receipts of the post office, and \$533 would be not by far the lowest of those salaries.

Another category would be lamplighter or gage reader. This would be before the days of electricity and automatic time devices. Perhaps this would be a buoy in the river, and some one would have to row out once a day and light the oil lantern, and that would carry a very small salary with it.

Mr. WALDIE. I think that is enough.

Mr. RUDDOCK. Here is an annuity of currently \$83 a month, an annuity which began at \$59, an individual with 20 years and 8 months of service, but with an average salary of \$2,106.

Mr. WALDIE. Let me ask one other question. To be entitled to the minimum under social security you have to have worked four quarters, do I understand, under covered employment?

Mr. RUDDOCK. I am not the expert on social security, but it is my understanding you must have at least six quarters of coverage, and you must have at least one quarter of coverage for every year elapsing after 1950 until you reach age 65.

Mr. WALDIE. In any event the social security retirement in this category at least is much more generous than is the Federal employee's retirement.

Mr. RUDDOCK. That would provide a much larger benefit for the person minimally qualified. There is no question about it.

Mr. WALDIE. I really do not understand why a bill as relatively insignificant in terms of Federal impact, but as enormously important in terms of the impact upon the retirees as against any employee of the Federal Government who is qualified for retirement, and who receives a minimum of \$85 a month, would be opposed. That is just difficult for me to understand.

One further question, there is another bill before us, H.R. 2187, which provides for a minimum annuity of \$100 a month. I do not like to go into the same questions with you except to find out how many employees would be in the category receiving less than \$100 a month and the cost.

It would be more than 66,300 who receive less than \$85?

Mr. RUDDOCK. Yes, under \$100 a month, here the figure jumps—retired employee?

Mr. WALDIE. Yes.

Mr. RUDDOCK. 77,500.

Mr. WALDIE. And the cost of that?

Mr. RUDDOCK. \$1,800 million, which would be amortized by \$109 million a year.

Mr. WALDIE. Are there any questions from other members of the committee?

Thank you, Mr. Ruddock. I appreciate your appearance before the committee.

The next witness will be Thomas Walters, president, National Association of Retired Federal Employees.

**STATEMENT OF THOMAS G. WALTERS, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, ACCOMPANIED BY CLARENCE TARR, VICE PRESIDENT; ARTHUR L. SPARKS, DIRECTOR OF FIELD OPERATIONS; GERTRUDE G. DAVIS, NATIONAL SECRETARY; JUDY PARK, ADMINISTRATIVE ASSISTANT; AND CHARLES S. GORMAN, STAFF ASSISTANT**

Mr. WALTERS. Mr. Chairman, I would like to have join with me, Mr. Tarr, our vice president; Mr. Sparks, director of field operations; Mrs. Davis, our national secretary; Mr. Gorman, staff assistant, and Miss Park, administrative assistant.

Mr. WALDIE. Welcome to all of you, and, Mr. Walters, you may proceed as you desire.

Mr. WALTERS. Thank you, Mr. Chairman.

First of all, I very humbly want to say thanks for all the complimentary remarks made by you and the other members of the committee and of the Congressmen who appeared this morning as witnesses.

It makes me very humble and very thankful, and I also wish to thank my former boss, Andrew Ruddock, for his kind words on my association with him at the Civil Service Commission.

On the other side of the coin, I must say in all honesty and fairness that I was greatly surprised, somewhat embarrassed, and greatly disappointed, that the administration came before this committee opposing all types of adjustments for retirees and people who are in dire need of some financial assistance.

I just did not believe that this was possible, especially under the circumstances that carried the two recent bills that were introduced by you, Mr. Chairman, one that provides a minimum of \$84.50, known as H.R. 15973, which would do no more for Federal employees than this Congress and the President have done for social security.

We were heartily in favor of increasing the social security minimum.

As I stated to this committee more than a year ago, we have in our files, which have been stored over the past 15 years, letters, some of which Mr. Ruddock made mention to you here this morning, that gives the annuity and the service rendered, and many of those people have over 40 years' service and are getting less than \$200 a month.

These letters are all signed and are bona fide letters. But I do appreciate the figures that were presented by Mr. Ruddock this morning,

showing that many of these people with 15, 20 and more years of service, are now living in real poverty.

The other bill that was recently introduced as H.R. 15974, which provides a \$20-per-month increase for all annuitants receiving less than \$200 per month, and there are among that group of total of 448,000.

Of that 448,000, 197,000 are annuitants, 70,000 are child survivors, 181,000 are other survivors.

This entire bill, according to estimated cost, would be 30 annual payments of \$37.7 million.

Mr. WALDIE. Is that HR. 15974?

Mr. WALTERS. Yes, sir.

Mr. WALDIE. Those attachments to your statement will be made a part of the record at this point.

(The material referred to follows:)

Attached draft legislation would establish minimum benefits under the Civil Service Retirement System equal to the Social Security minimum, and changing as the Social Security minimum changes in the future. The new Social Security minimum of \$84.50 a month would be a CSR minimum of \$85.00 when adjusted to the nearest dollar. This minimum would apply to retired employees, to surviving widows and widowers, and to children (but not more than 3 times minimum divided by number of children).

Numbers presently affected and average monthly increases are as follows:

	Number	Monthly average increase
Retired employees.....	66,300	\$32
Child survivors.....	5,000	20
Other survivors.....	74,000	30
Total.....	145,300	31

If enacted, this draft bill would increase the normal cost (now 13.09% of payroll) by 0.10%.

It would create a liability of \$653 million, to be amortized by 30 annual payments of \$40.5 million each.

A BILL To amend section 8345(a) of title 5, United States Code, to provide guaranteed annuity benefits equal to the minimum primary insurance amount authorized under section 215(a) of the Social Security Act, as amended, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That paragraph (a) of section 8345 of title 5, United States Code, is amended by adding at the end thereof the following:

"Notwithstanding any other provision of this subchapter, no annuity shall at any time be less than the smallest primary insurance amount (including any cost-of-living increases in benefits) then authorized to be paid under Title II of the Social Security Act, except that the minimum annuity payable to each surviving child of an employee, Member, or annuitant may not exceed 3 times the smallest primary insurance amount divided by the number of children."

Sec. 2. Section 1 of this Act is effective September 1, 1972, but does not increase annuity accrued for any period before that date.

The attached draft legislation would provide a \$20 per month increase to most annuities below the \$200 per month level.

If applied to those presently on the rolls, the numbers affected and average increases would be as follows:

	Number	Monthly average increase
Retired employees.....	197,000	\$19
Child survivors.....	70,000	20
Other survivors.....	181,000	19
Total.....	448,000	19

This would result in a liability of \$1,051.6 million to be amortized by 30 annual payments of \$65.2 million each.

If applied prospectively, this proposal would result in an increase to the normal cost (now 13.09% of payroll) of 0.20%. It would result in a liability of \$608.9 million to be amortized by 30 annual payments of \$37.7 million.

**A BILL To provide increases in certain civil service retirement annuities**

Be it enacted by the Senate and House of Representatives of the United States in Congress assembled, That section 8340 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(g) Effective September 1, 1972, or on the commencing date of annuity, whichever is later, each annuity payable from the Fund (other than the annuity of a surviving child) is increased by the lesser of (1) \$20 a month or (2) the amount, if any, necessary to increase the annuity, exclusive of any additional annuity purchased by voluntary contributions, to \$200 a month, and the annuity of each surviving child is increased by the lesser of (1) \$20 a month or (2) \$60 a month divided by the number of children. Notwithstanding the exception contained in section 8348 (f) of this subchapter, enactment of the preceding sentence is deemed to authorize appropriations as described in that section."

Mr. WALTERS. Mr. Chairman, I have one more item I would like to submit for the record before I proceed with my statement. Since January 1966 social security has been increased 65 percent. Since January 1963, including the recent 4.8 that we will receive next week, the Federal employee annuitants have been increased by the cost of living 42.7 percent. There is a difference between 42.7 percent and 65 percent.

With your permission I would like to submit that for the record.

Mr. WALDIE. Without objection, it is so ordered.

(The information referred to follows:)

**COST-OF-LIVING INCREASES IN SOCIAL SECURITY BENEFITS AND CIVIL SERVICE ANNUITIES**

Social security:	Percent
1960-65.....	60.0
January 1966 (retroactive to January 1965).....	7.0
March 1968.....	13.0
January 1970.....	15.0
January 1971.....	10.0
September 1972.....	20.0
Total.....	65.0
Civil service:	
January 1963.....	5.0
December 1965 (those retiring after Oct. 1, 1956).....	6.1
January 1967.....	3.9
May 1968.....	3.9
March 1969.....	3.9
November 1969.....	5.0
August 1970.....	5.6
June 1971.....	4.5
July 1972.....	4.8
Total.....	42.7

Mr. WALTERS. I perhaps should not make this comment, but if something along the line that Congressman Scott suggested, that we put the most of the money where the greatest need is, and this Congress passes a reasonable piece of legislation, and does not make it look like a Christmas tree—and I am sure you will not make it look like a Christmas tree—I just cannot bring myself to believe that since there are human beings and fellow Americans, and former Federal employees or their survivors, that this type of legislation would be vetoed. I just cannot believe that.

Mr. WALDIE. Mr. Scott has a question, Mr. Walters.

Mr. SCOTT. Mr. Walters, I agree with what you are saying, and you remember the administration opposed a 20-percent increase in social security, and you recall that we were down at a senior citizens forum, and I announced at that time I was going to vote for it.

I did vote for it even in the face of the administration's opposition, and the President had not signed it.

It just seems to me, as you are suggesting, the administration would be hard put. I do not see that they would be justified in a veto of something that does confine itself to the lower recipients of annuities.

I appreciate the statement you have just made, and would hope that when we get to the time of markup we could keep that in mind.

Thank you, Mr. Chairman.

Mr. WALTERS. Now, I will get to my official statement. Mr. Chairman and members of this subcommittee, I am Thomas G. Walters, president of the National Association of Retired Federal Employees (NARFE). This is our association's 51st year of incorporation, and today we have a membership of some 160,000 Federal retirees and survivors, organized into some 1,100 chapters throughout the 50 States, Puerto Rico, the Canal Zone, and the Philippines.

Mr. Chairman and subcommittee members, I am appearing here today, on behalf of NARFE's entire membership, to urge this subcommittee and the Full Committee on Post Office and Civil Service to act early and favorably on pending legislation to provide an increase in Civil Service annuities, and to establish a minimum annuity for all retirees of the Federal Government and their survivors. I cannot emphasize strongly enough the desperate need for immediate action on such legislation.

The Senate Special Committee on Aging, the 1971 White House Conference on Aging, and various other groups concerned with the aged and aging, have identified the No. 1 problem facing this country's retirees as "inadequate income." I know for a fact, from personal conversations and thousands of letters from our members, that "inadequate income" is certainly the major problem of most Federal retirees.

This need for an annuity increase was, in fact, voted by the delegates at our national convention as the "paramount" legislative aim in the 92d Congress. So far in this Congress, more than 20 separate bills have been introduced by our friends in Congress to increase civil service annuities, on the basis of granting the highest percentage increase to those with the present lowest annuities. Many of these bills have been introduced by members of the Post Office and Civil Service Committee, such as your bill, H.R. 7805, Mr. Chairman, which was cosponsored by Mr. Hogan of this subcommittee.

We are deeply appreciative to each Member who has sponsored this legislation, but our problem now is to get a good measure out of this

committee and onto the floor of the House for a vote, so that we can get a measure on its way to the White House before the end of this 92d Congress. In my opinion, we are today working on an emergency measure.

At this point I would like to express my thanks and appreciation on behalf of NARFE to the Members of Congress who appeared before this committee today and those who filed statements, and to all those who are supporting the legislation, and the more than 75 Members who have either sponsored it or cosponsored legislation affecting the income of the retirees.

There has long been a dire need for this legislation, and the lack of a substantial increase in the past, has caused the financial situation of many retirees to continually worsen. However, I feel that the 20-percent increase recently enacted for social security recipients, has changed the status of the annuity increase from one of dire need to emergency.

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

The latest available statistics show that some 266,000 retirees and survivors receive less than \$100 per month; more than 496,000 receive less than \$200 per month; and about 700,000 receive less than \$300 per month. These are from a total of approximately 960,000 survivors and annuitants on the civil service retirement rolls.

I might add that these statistics we are using here were compiled for the year 1970, so these figures would be a little different if they were brought up to the current date.

In quoting such statistics in the past, we have often been confronted with the argument that the majority of these low income annuitants were "short term" Federal workers, who actually only worked a few years of their careers in the Government service, and thus would not be entitled to a large annuity.

We have never agreed that this theory was fully correct, and about a year ago we polled our members to see just what the story was. We asked that our members notify us if they had more than 15 years of service and received a monthly annuity of less than \$350 per month. The staff of this committee has already seen the volume of mail we received on this subject, and the committee was earlier told of many of the individual cases involved.

I think it is worth pointing out, however, that in the category of persons having more than 40 years of service, there were cases reported of incomes under \$300 per month. This, Mr. Chairman, I believe points out the inequity of forcing thousands of career Federal employees to live their retirement years on incomes which do not correspond to today's living costs.

Although Federal retirees do receive periodic cost-of-living increases, these increases have no equalizing value in helping low-income

annuitants meet day to day living costs, as a 4-percent increase on a \$100 per month annuity provides no substantial gain in buying power. What we need is a substantial increase, especially in these low annuities, so that future cost-of-living increases will have a more realistic base, thereby providing the financial relief intended.

As one of our low-income annuitants recently put it, they are forced to buy food at "caviar prices" on "salt pork" pensions.

Many folks in this room may not know what salt pork is. Down in Georgia where I come from we call it saw mill ham to either make it appear to taste better or look better.

Before I forget it, Mr. Chairman, I would like to announce and thank these good people from Washington, Maryland, Virginia, and Pennsylvania, and other nearby States, who are here this morning to show their interest in this legislation.

I am sure if we had the time you would find that most of them here today, as at meetings that I have attended, when asked how many receive social security, perhaps 15 or 10 percent would hold up their hands.

I have tried that in many State conventions, and I just cannot bring myself to believe that 40 percent of annuitants draw social security. It is a general rule that the people who attend the conventions are physically able to get around, and most of them are on much better annuities than many of the older ones who cannot come.

I just believe that the percentage is nearer 15 or 20 percent than it is 40. I have no way of proving that except by a show of hands at different places.

I don't know any one, Mr. Chairman, who does not wish he had more money, but legislation to increase annuities is not just fulfilling a whimsical desire of retirees for additional money for "extras," it is fulfilling a case of real need to meet necessary costs for survival.

Effective September 1, social security recipients will have their monthly pensions increased by 20 percent. I certainly do not begrudge them this increase, for I know it was needed and deserved. On the other hand, I firmly believe, as I know you do Mr. Chairman, that the need for such an increase is just as great and equally as deserved by retirees of our own Government.

Since 1960, social security benefits have increased 65 percent. During the same period of time, civil service annuities have increased by 42.7 percent, a difference of 22.3 percent less than social security.

Social security has an established income floor, which under the new law is \$84.50 per month. I believe and firmly recommend that a minimum annuity level should exist for civil service annuities in like manner to social security. I urge this committee to favorably recommend passage of legislation such as H.R. 2187 by Mr. O'Konski and H.R. 4441 by Mr. Schwengel, establishing a monthly minimum annuity of \$100 per month for a single person and \$200 per month for a couple.

Certainly, no civil service annuitant should receive less than the minimum granted social security recipients, and I do not believe anyone could, in good conscience, vote against such a measure. Any measure adopted along this line should provide that minimum civil service annuities never fall below the minimum benefit of social security.

The bill you introduced, Mr. Chairman, provides if the minimum of social security goes up, the minimum of which would be established at \$84.50 would automatically go up.

Another point in comparison with social security, which I should like to call to your attention for action is the percentage of survivor benefits. Most civil service survivors receive 55 percent of their spouses' annuities, while social security survivors presently receive 82½ percent of the retirees' benefits, and H.R. 1, now pending Senate action would increase this to 100 percent. In our opinion, civil service survivors should be accorded equal annuities to those received by their retiree spouses.

I realize as well as anyone, Mr. Chairman, that there is a cost factor involved here, but there is also the factor of human survival and dignity involved. These retirees and survivors are not asking for, and do not want, mere welfare handouts, but they did spend their working years in the service of the Federal Government—years ago when salaries were much lower and the working hours much longer. The sincere dedication and patriotism of the vast majority of these annuitants cannot be questioned, and they certainly should be able to spend their late years free from poverty.

It is my opinion that these annuitants and survivors who are suffering the most financially had the least to do with today's inflation. In our rapidly changing society, it simply cannot be argued that these senior citizens are receiving what they were promised when they went to work for the Federal Government.

When I went to work for the Federal Government they told me that after so many years of service I would be able to retire on \$100 per month, which I thought would be a wonderful retirement income. I thank my lucky stars every day, that I don't have to exist on such a pitiful sum today, but there are thousands of retirees who are not so fortunate, and do have to eke out an existence on this type of income. It is on their behalf that I am pleading for a substantial annuity increase.

At this point, Chairman Waldie, I should like to go on record as being 100 percent in favor of the two bills you introduced last week to assist these low-income annuitants. H.R. 15973 would provide a monthly annuity for all retirees and survivors of \$84.50 per month, the same income floor which is now granted social security beneficiaries, providing that any increase in the social security minimum would automatically trigger a like increase in the civil service annuity floor. This bill would apply to more than 145,000 annuitants and survivors, who are presently receiving less than \$84.50 per month. Certainly no one can object to this measure for it only corrects a situation which is now putting civil service annuitants in an inequitable financial position with social security recipients.

The second bill which I am endorsing is H.R. 15974, which would provide a \$20 per month increase to most annuitants below the \$200 per month level, by granting a flat \$20 per month increase to those now receiving less than \$181 per month, and a proportionately lower increase for those in the \$181 to \$199 per month bracket, whatever figure would be necessary to bring them to a level of \$200 per month. It cannot be denied that any one receiving less than \$200 per month is in dire need of financial assistance, and though it is rather frightening to know, it is a fact that some 448,000 retirees and survivors today receive less than \$200 per month and would thus benefit from the provisions

of H.R. 15974. I urge this subcommittee and the full committee to promptly give these two bills a favorable report.

I would hope, Mr. Chairman, that after these hearings have been concluded, the subcommittee and its staff could come forth with a clean bill which would incorporate the provisions of H.R. 15973 and H.R. 15974, along with provision for an equitable graduated scale increase in annuities of more than \$200 per month, with the greatest increase being in the lower annuities and graduating to a smaller percentage in the present higher annuities. This could be accomplished along the lines of H.R. 7805.

I cannot stress strongly enough to this subcommittee and the entire Congress the real and basic need of today's elderly retirees for a substantial increase in all annuities. NARFE will cooperate in any way, Mr. Chairman, to see equitable legislation enacted to provide these former Government employees financial relief. The need is there and the time for action is now.

There is no question but what our paramount aim is to secure an increase for all annuitants, but there are several other matters I would again like to call to this subcommittee's attention for early consideration. Of major concern to thousands of our members is the fact that a retiree is forced to take a percentage reduction in his annuity to provide survivor benefits, but if predeceased by the designated survivor, this reduction is still withheld and a new survivor cannot be named, unless the retiree remarries and a second spouse is available to receive the survivor benefits.

Though the provisions of the Second Spouse Act, allowing the naming of a second wife or husband as beneficiary, has benefited thousands of survivors and potential survivors, it remains that many retirees do not remarry after the death of the designated survivor. That these annuitants should have to continue to pay a reduction for a benefit which will never be derived is, to my way of thinking, a gross inequity in the retirement law, and one which deserves immediate attention and correction by the Congress. Pending bills, such as H.R. 3617, H.R. 7806, and others, would correct this inequity. I trust that due consideration will be afforded this legislative need.

I should also like to point out a situation which has caused undue hardship to many survivors and will continue to do so until corrected. There were some retirees who did not elect a survivor annuity at the time of retirement because they did not feel they could exist on the annuities they would receive after the survivor reduction. Most of these persons are the older retirees who retired years ago when annuities were much lower and the percentage reduction for survivor benefits much larger than today's.

I would like to suggest that this situation could be corrected equitably by giving them a second opportunity to designate a survivor, provided they make this election within a given period of time, such as January through December 1973, or such a time period.

I should also like to recommend that two limitation dates in the present civil service retirement laws be eliminated, so that we eliminate discriminating between various survivors because of the date they remarried, or the date they lost their spouses. The first date I should like to see eliminated from the law is July 18, 1966, contained in section

205 of Public Law 91-93. Survivor annuitants who remarried after that date are allowed to continue their survivor annuities, but those who remarry before that date are penalized by the loss of their survivor annuity. I believe this is nothing more than plain and simple discrimination, and deserves to be corrected.

The second date which I should like to see eliminated is the January 8, 1971, date in the second spouse law, Public Law 91-658. In order for a second spouse to receive survivor benefits under this law, the annuitant had to be living on the date of the bill's enactment, namely January 8, 1971. Therefore, many second spouses whose retiree husbands had died before that date were left without any survivor benefits, despite the fact that their husbands had been paying the survivor reduction for years before their deaths. The date of the husband's death does not change a survivor's need for retirement income, but these second spouse widows, whose husbands died before the second spouse law was enacted, are now left without any annuity benefits. To my way of thinking, this limiting date should be eliminated from Public Law 91-658.

Mr. Chairman, I have on numerous occasions urged Congress to give equal tax treatment to civil service annuitants, who are presently taxed on their entire annuity income, while social security and railroad retirement benefits are exempt from Federal income tax. I know that this subcommittee cannot legislate on this particular issue, but I do urge the members here today to use their influence with members of the House Ways and Means Committee, urging them to give this correcting legislation due consideration. It is impossible for any of us to understand why our Government pensions are taxed by the Federal Government and others are not. We only ask for a fair hearing on this subject and consideration of our plight.

Mr. Chairman, the items which I have covered here today are some of the most glaring inequities in the civil service retirement law, which our Association believes should be corrected by the 92d Congress. I am sure you realize that because of age, thousands of annuitants and survivors who are alive today, will not be here next year, so the need for correcting measures in retiree legislation is needed today, as tomorrow may be too late.

I thank this committee for the beneficial legislation you have advocated and had enacted for us in the past, and I am hopeful that when the 92d Congress is adjourned, there will be other laws to assist retirees on the statute books, especially a good law to increase civil service annuities, for this is certainly our foremost need at the present. I should be happy to work with members of this committee and your staff, in an attempt to work out equitable, just legislation which will benefit retirees and their survivors.

Mr. Chairman, this hearing today has special meaning to me, as it is to advocate the enactment of annuity increase legislation for which we have worked so long; but it is also a rather nostalgic time for me, because after 34 years on Capitol Hill, working for better living and working conditions for Federal employees and retirees, this is probably my last official appearance before a congressional committee.

I am pleased that this last hearing was before the Post Office and Civil Service Committee, because it is here that I have spent the most time testifying and receiving counsel from past and present committee

members. There is no question but that working and financial conditions of Government employees and retirees have greatly improved over the past 34 years, and I like to think that I was somewhat instrumental in having some of these improvements brought about. My greatest hope, however, is for the future, and I hope to see the day when all annuitants and survivors can live their retirement years free from undue financial hardship. The legislation discussed here today would go a long way in making this hope a reality.

I thank all of you for the courteous treatment, words of wisdom, and friendship which have been extended to me over the past 34 years. I shall always be personally thankful for the opportunities and experiences which have been mine in working with you and the members of your efficient staffs.

Mr. Chairman, I shall be pleased to attempt to answer any questions you or other members of the subcommittee may have.

Mr. WALDIE. The subcommittee has decided on performing what we think is a unique gesture of tribute to you for your long years of service to your country and to the people particularly involved with you, and we would like to stand and invite the audience to stand in a round of applause.

[Standing ovation.]

Mr. WALDIE. Tom, we are not asking you to respond at this moment. Mr. Scott has, unhappily, a very important engagement that he has postponed, wanting to say a few words before he leaves. I now recognize Mr. Scott for that purpose.

Mr. SCOTT. Thank you, Mr. Chairman. I have people who have been waiting in my office since 10:30, but I did want to stay and listen to the testimony of Mr. Walters.

I think he has heard it not only from me but from the chairman, from other members of the committee, and other Members of the Congress, the high esteem with which we hold him.

Tom, we wish you the very best as you go into your retirement.

I know John Griner will excuse me for not staying to hear his testimony on behalf of the American Federation of Government Employees, but perhaps in the year 2000 we can go through this same thing for him.

Mr. WALTERS. Thank you very kindly.

Mr. WALDIE. Mr. Daniels.

Mr. DANIELS. Tom, I want to commend you for a very fine detailed statement. As usual, you have done an excellent job.

The Senate Committee on Post Office and Civil Service, I believe last March, conducted hearings on companion legislation. Do you know what action, if any, has been taken by the Senate on that legislation?

Mr. WALTERS. There has not been any official action taken. The subcommittee has recommended, as I understand it, some action by the full committee, but at this time there has been no action taken by the full committee.

I plan to be in conference with some members of that committee next week, hoping that something will move now. I do not think this would be any far-fetched idea, that they perhaps will do this annuity increase bill similar to the health benefits bill. They will pass something shortly, maybe after you act.

Maybe I should not say that, because it might get across the avenue, but I am constrained to feel, Mr. Daniels, that they are sympathetic to doing something, especially with major emphasis on the lower annuitants, but no official action has as yet been taken.

Mr. DANIELS. Do you think we should act first?

Mr. WALTERS. Well, in most cases you have. When you were chairman you generally acted first, and since Congressman Waldie has been chairman, he has been acting first.

Mr. DANIELS. Referring to these retirees who are receiving less than \$200 a month, can you tell us how old these people are today?

Mr. WALTERS. We do not have any concrete analysis of that. Now, in these letters, the 15,000 that we have mentioned, many of them gave their ages, and most of them I might add are older people, even older than I admit that I am.

But to answer your question directly, I would have to say that we do not have a complete roster of the ages of these people, but I would guess that 90 percent or maybe 80 percent of all the people who receive less than \$300 a month are above 75, because they retired many years ago—a good many of them did—on low salaries.

Mr. DANIELS. You say most of them retired many years ago. About how far back would you say?

Mr. WALTERS. As I remember, going through these letters, some would say, "I have been retired 15 years; 12 years"; some even more than that.

My administrative assistant, Miss Park, who has looked through several of these letters, said a good many of them retired in the early 1940's.

Mr. DANIELS. On page 4 of your statement you recommended that the minimum annuity be at least equal to the social security minimum.

Are you also advocating the maximum be the same as the social security?

Mr. WALTERS. Why, no, sir. There is a difference, as you well know.

You are an expert in this field. Regardless of your salary you pay a deduction on your entire salary, and social security has a cutoff base. So they do not pay a person making \$15,000 or \$18,000 a year—he does not pay social security on the full amount.

Mr. DANIELS. I believe it is—in round dollars—\$9,000 now.

Mr. WALTERS. I do think this, Mr. Daniels. I may get my head cut off for saying this, but if we reduce the increase above what the maximum of social security is, we would be helping a vast majority of the retirees in the Federal Government financially.

Mr. DANIELS. I have no further questions, Congressman Waldie.

Mr. WALDIE. I have no questions, just a comment.

Tom, I find myself in agreement with every position you have taken in your statement. You have earned the respect and affection of every Member of Congress of whom I am aware, and I am certain I express their desires when I say we wish you well in the future, and we are going to miss you very much.

Mr. WALTERS. Thank you. As much as all of us like to have more money, I would much rather hear the things that have been said here this morning than had we passed the hat and took up a good collection.

If my father and mother were here, my mother would believe every word of it, and my dad would say, "It's interesting."

Mr. WALDIE. Our next witness before the committee will be Mr. John Griner, national president of the American Federation of Government Employees (AFL-CIO).

He is accompanied by Mr. Carl Sadler, the national legislative representative, and Stephen A. Koczak, director of research.

**STATEMENT OF JOHN F. GRINER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY CARL SADLER, LEGISLATIVE REPRESENTATIVE, AND STEPHEN A. KOZAK, DIRECTOR OF RESEARCH**

Mr. GRINER. Thank you, Mr. Waldie, and members of the committee. I recognize that your time is short, and I also recognize that a great deal that I had planned to say has already been said. I shall not attempt in my discussion to analyze the bills before us because they have already been analyzed.

I would like to call the committee's attention to the fact that these two bills would directly benefit between 150,000 and 230,000 employees and survivor annuitants who now receive less than respectively \$85 and \$100 per month.

I do not see, speaking generally, how anyone can say that \$100 a month is too high a minimum to set for a Government annuity.

Our older citizens are entitled to more than a mere pittance to support themselves in their retirement years.

In light of the flexibility intended to be available in H.R. 15973, we are going to urge that any feature of the social security law, looking to raise the floor of social security, be extended also to the civil service annuitants. In other words, after the social security minimum exceeded \$100, then the civil service annuity would be concurrently raised with the social security floor.

In other words, I am recommending, Mr. Chairman, that an absolute minimum of \$100, not \$85, be the minimum for annuitants as well as their survivors. You have the tables, I presume, before you.

Mr. WALDIE. May I interrupt you a moment. I gather you further urge that whatever minimum is set—you are urging the figure of \$100—it have an automatic escalated clause if the social security minimum is then increased; the minimum for the Federal retiree annuitants be also increased?

Mr. GRINER. That is right, sir.

I would like to call your attention to this. I am not recommending the automatic increase because social security increases would not have any effect upon the cost of living increases if we get periodic increases.

Mr. WALDIE. No. You are just talking about the minimum base.

Mr. GRINER. That is right.

Mr. WALDIE. And at any time the social security minimum is increased, the retiree's minimum would be increased automatically to equal that of the Social Security.

Mr. GRINER. That is right.

Mr. WALDIE. I understand.

Mr. GRINER. Under H.R. 7805 there is a recommendation for 13 percent increments for all annuitants where their annuity income is below \$3,600; for any further income between \$3,600 and \$4,800, an increment of 9 percent.

Between \$4,800 and \$6,000 it would be 7 percent, and for any amount above \$6,000, the increment percentage would be 5 percent.

Mr. Chairman, I am particularly interested in these people who are getting a very minimum annuity. In other words, we have a lot of people who are on the retirement rolls of the Civil Service who are receiving welfare in order to supplement their income. Certainly if the Government can afford welfare for these people, it can afford to give an increase in the annuities.

I am keenly aware of the fact that these people are in actual and desperate need. I am going to recommend that this formula be changed to give greater weight to the people in the lower annuitants brackets, whether it be the annuitant himself or the survivor.

Mr. WALDIE. May I interrupt you a moment. Do you have any idea, or are there statistics available that I could have access to, that would indicate how many annuitants in fact are drawing welfare?

Mr. GRINER. No, I do not have anything on it whatsoever, but I am told by Steve here that the Commission does have them.

Mr. WALDIE. The Civil Service Commission?

Mr. GRINER. That is right.

Mr. WALDIE. We will get hold of these figures. I agree with you that is hardly a reputable situation for the Federal Government to find itself in, where our employees are placed in a position where their existence is dependent upon the receipt of welfare.

I suspect that monetarily an increase in their annuity would not make much difference to them in terms of living standards, if they are on welfare, because welfare is based upon minimum basic amount of income, and they would just simply have reduced the welfare check represented by the amount of increase in their annuity.

What you are reflecting, I suspect, is the common belief that there is greater dignity in terms of source of income if it is a reflection of an annuity rather than a welfare payment. I gather that is the theme.

Mr. GRINER. You are right, Mr. Chairman.

I would like to point out that it has been my experience that the employees of the Federal Government do not want welfare. The annuitants do not want welfare. The only reason they are applying for welfare—the annuitants; and we have some employees that are on welfare—and receiving welfare, is to meet the actual necessities of life. This is, of course, below what is termed a “decent living standard.”

Mr. WALDIE. I think that describes most of the people on welfare.

Mr. GRINER. In other words, as a bare minimum we would urge that the percentage for those people less than \$3,600 be at least 15 percent.

To keep the cost in balance, this might require a reduction respectively to 8 percent for increments between \$3,600 and \$4,800; to 6 percent for increments between \$4,800 and \$6,000, and 3 percent for increments in excess of \$6,000.

In other words, a person receiving \$6,000 annuity can get by, but these people who are getting less than \$300 a month cannot keep a roof over their heads and decent food on the table, much less pay doctor bills and the other things that make up the necessities of life.

I know I will probably be criticized by some of the people who are in the higher brackets for making this statement; some people are rather greedy. I hate to use that word, but they are somewhat greedy. They expect to receive the same increases across the board, but I am willing to take that criticism, and I think I can justify it.

Under H.R. 15974, on the other hand, there would be a flat dollar increase in the amount of \$20 paid in full to all annuitants receiving less than \$180 in annuity. This \$20 would be diminished dollar for dollar for any amount received above \$180 and below \$200.

An annuitant receiving \$199 per month, for example, would receive a \$1 increment. No increase at all would be given therefore to any annuitant earning \$200 or more. Under H.R. 15974 the percentage increase would range from somewhat more than 200 percent for annuitants receiving less than \$10 a month to zero percent for an annuitant receiving \$200 or more.

Furthermore, Mr. Chairman, we believe under the best figures obtainable that our recommendations come within that 95-percent overage of the payroll.

Frankly, I think there is too much emphasis being given by this administration on the unfunded liability. I think they forget that one of the reasons for the big unfunded liability is the fact that the administration in the early years of the retirement system made no, or little, contribution toward the system.

In fact, it has not been very many years that they have made equal contributions with the employees. This has contributed to the alarming part of the unfunded liability that now exists. Certainly Congress took care of it by legislation that was passed recently—and I believe, Congressman Daniels, you were the chairman at that time—which would set a floor upon the amount of money to be kept in the system.

When we talk about the unfunded liability of something like \$60 billion at the present time, we are thinking about a fully funded plan.

The fully funded plan is, as I understand it, or as it was taught to me, that we must have the money on hand at all times to pay off all liabilities; that is, in the event all of a sudden the civil service retirement system became null and void or were repealed; then we could pay off everybody who might be entitled to it.

I do not consider that to be sound because we do not ever expect it to be repealed. What we do want to see is sufficient money in this fund at all times in order to take care of the liabilities as they occur, and when they occur.

So this is something that not only this administration but past administrations have used as an excuse for not increasing the annuities of the Federal employees, and I say an excuse. That is what I really believe, rather than a reason.

There is one further argument in support of this legislation. As you know, the Federal Government has been making massive cuts in the employment rolls. While I believe the situation is unnecessary and there are other more prudent ways and means of reducing Federal expenditures, we have to recognize these cuts as realities and act accordingly.

Obviously attrition is a more desirable method for achieving these goals than having to lay off employees. Any measure which will make retirement more attractive to those eligible will help increase the attrition rate and lessen the number of firings involved in the lowering of employment levels.

I ask you to take these facts into consideration in weighing the merits of these bills.

If less of our technical or support service work was contracted out to private contractors, and work were done in-house by qualified Federal employees, that could make a sizable cut in the amount of expenditures now being made by the Government. This is increasing rather than decreasing.

We lay off civilian employees. We replace them with retired military or by contracting out the work that was historically performed by the Federal employee.

The cost of the contracting of work as a whole is far greater than the cost of the work in-house.

Frankly I think we do better work than the contractors because we have better people working for us.

MR. WALDIE. Let me interrupt you there a moment. I agree with those comments. I also have become aware of a way of using the retirement fund for purposes other than it was intended, as you alluded to.

The Postal Service in its desire to cut back high numbers of employees has used the retirement system as a means to force those employees out of employment before they would normally have sought to get out by early retirement. The threat is if they do not take early retirement, they will find themselves without a job.

That has increased the pressures on the retirement fund beyond what this Congress ever intended. The inability to improve the retirement benefits has been because of actions such as that which the administration very frankly has taken, contrary to the interests of those who are in the retirement fund.

MR. GRINER. There is this situation. Since you mentioned it, we had always been advised by so-called experts of the Civil Service Commission that we could not use the 50-20 unless a person was affected by a reduction in force, and we accepted that.

All of a sudden we find that the Post Office authorities were using that as a means of forcing people to retire directly or indirectly.

I went to the Commission and asked them about it, and they said it was perfectly legal, that they could do that. I said, "Then why do we not do it in all agencies? Why do we confine it just to the Post Office?" "Well, that is sort of left with the heads of the agencies."

I cannot understand their interpretation and I cannot—I like Tom Walters—understand why the representatives of the administration would come before you this morning knowing the conditions that exist, knowing the high cost of living, and knowing that our people are not getting a decent living through their retirement system, and say to you that the Administration is not in favor of making any adjustments, even though we are now paying one-half by the employee and one-half by the Government to keep this system on a sound basis.

When asked what is being done with that, they say that is going back to take care of the unfunded liability.

MR. WALDIE. I tell you one of the answers I think to your question—I do not know the other answer, and I suspect if I gave my answer it would probably be construed as a partisan response—as to why the administration has so little concern for employees, but in response to why the Civil Service Commission is able to pronounce all of a sudden that early retirement is available for this particular department in my view is simply this:

The Civil Service is no more than an extension of the executive branch of Government. It operates at the convenience of the executive branch of Government, and implements the policies of the executive branch of Government, and if those policies are to get rid of employees, the agency head makes the request to the Civil Service Commission, and it is automatically approved, despite what the employees' views might be in the situation.

I have never seen, until this last year when we have had occasion to examine the Civil Service Commission, the conflicts between employees and employer, the Federal Government, where it is as one-sided in my view as the situation is in the Federal Government today. Perhaps historically the Civil Service Commission is the executive branch. It represents the executive branch, and it will implement the executive branch's policies.

The employee goes before the Civil Service Commission in a second-class citizen position and gets treated as such, if he is in conflict with any of the desires of the administration, which ever that administration might be by the way, Republican or Democratic.

The Civil Service Commission has no independence from any of the views of the executive branch of the Government as far as I can see.

Mr. GRINER. Well, they do not deny the fact that at the present time that they are an arm of management, and as an arm of management they are going to do what management wants done.

Mr. WALDIE. Where is the arm of government that represents the employees? That is what I am trying to find out.

Mr. GRINER. They say the union represents the employees, but if the unions are up against the position where the only relief they can expect is justice through the Commission or through the Assistant Secretary of the Department of Labor, or through the Federal Labor Relations Council, which is composed of only representatives of management, then where do we go?

Mr. WALDIE. There is nothing the unions will ever be able to do when crunch meets crunch unless you have the right to strike. They can kid themselves, but until the union has the right to say, "all right, we are totally dissatisfied; our employees are being cruelly mistreated, and we are going to withhold service"—until you have the right to do that, as every other citizen in America has, you are not going to be able to solve that problem in my view.

You are working against insuperable odds, and if it were not for the union those odds would be worse than they are. You are the only avenue for the employee now.

Until such time as the employee gets some rights toward collective bargaining, we just kid ourselves. The Federal Government is a very paternal employer that pats its employees on the heads, says, "you are a fine public servant; you owe it to your country to tighten your belt"—I can see Harry Bridges tightening his belt because the ship-ping people are in desperate trouble financially.

I do not see the UAW or the Teamsters, if you will, tightening their belts because the employers are in trouble.

It is not part of this committee's purview, but until such time as we develop the machinery in this Government that the employee gets a fair shake, or a fairer shake than he is now getting, or develops

power in unions to compel attention to grievances of people they represent, the situation will not improve; the morale of the working force, which is incredibly low now, is going to get lower.

Mr. GRINER. Mr. Chairman, I have never advocated the right to strike within the Federal Government, but we are having our backs pushed up against the wall.

Mr. WALDIE. Precisely.

Mr. GRINER. We cannot continue. It is hard to represent employees under the handicap we are now trying to represent them. We do not even have the right to compulsory arbitration.

Mr. WALDIE. That is right.

Mr. GRINER. That would be a step in the right direction.

Mr. WALDIE. It surely would.

Mr. GRINER. We have to accept an arbitrator's decision, but management does not.

This condition is worsening day by day, and I am not talking about just this administration. I have a lot of respect for Mr. Hampton personally and as Chairman of the Commission.

Mr. WALDIE. And my comments are not directed at the Commission either. My comments are directed against the system which has been in effect for a long time.

Mr. GRINER. A system that has gone along ever since there has been a government. The Commission just refuses to follow its own interpretation in a number of cases. I can cite examples of where a board of appeals and review has become nothing more or less than a rubber stamp for whatever an agency wants done in connection with a grievance or appeal.

We are going to have to introduce before this session of Congress is over an employee-management relations bill for the Federal service. We do not expect action on it, but we certainly expect some action next year. The bill is now written. Certainly it will go a long way to give us some of the rights that the employees are entitled to.

Mr. Chairman, what else I have to say would be more or less repetitious of what has already been said, and I will not take up any more of your time.

Mr. WALDIE. We thank you. Your testimony, as usual, has been right on point, and very, very helpful, and I congratulate you on it.

Mr. Daniels.

Mr. DANIELS. Just one question I would like to ask Mr. Griner.

Mr. Griner, as you know, the joint contribution of employees and the employing agencies aggregate 14 percent, and it is estimated that the normal cost comes to 13.09 percent, according to the latest information from the Civil Service Commission and the Board of Actuaries.

That would leave an excess from contributions of 0.91 percent. Now, are you recommending to the subcommittee that the excess be used in granting increases to the present annuitants?

Mr. GRINER. Frankly I would like to see the excess used also for other benefits such as a "combination 80" bill. However, the need is so great along this poverty line, Mr. Daniels, that if it were necessary that this excess be used—or at least part of it, we do not think it will take all of the excess to defray the expenses of these amendments—I would be in favor of it.

Mr. DANIELS. Thank you.

Mr. GRINER. Because I think the need here is pressing.

As Mr. Waldie has pointed out today, the need is today, not tomorrow, not next year. It is on top of us now.

Mr. WALDIE. It surely is, and, as usual, you are among those who has put in a forceful manner to Congress a very forthright provision, and I have found your statement extremely helpful, and appreciate very much your appearing before the committee.

Mr. GRINER. Thank you very much.

Mr. WALDIE. We have other witnesses. The committee will recess now until 1:30. I recognize that this is an inconvenience for the witnesses. There was no way we could schedule ourselves more accurately than this, and if there are witnesses on the schedule who desire to submit statements because their schedules will not permit them to come back this afternoon, we will certainly accept that. The committee is now in recess until 1:30.

(The prepared statement, submitted by Mr. Griner, follows:)

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

On behalf of the American Federation of Government Employees I thank you, Chairman Waldie, for this opportunity to appear in behalf of H.R. 2187, H.R. 7805, H.R. 15973 and H.R. 15974, all of which would increase the annuities of retired Federal employees. For this reason, we fully endorse all these Bills.

The time is obviously here to increase these annuities. Congress recently raised Social Security payments by 20% across the board. We believe that for Federal employee annuitants a flat across the board percentage would not be as equitable as it is for Social Security which also has a current upper limit on pensions for a single retired annuitant of \$259.00. In the Civil Service retirement program which does not have an upper limit, a flat percental across-the-board increase would disproportionately favor those annuitants who have high incomes and who are not suffering at the poverty level. We feel that, fortunately, the Bills before you quite properly take into account this issue of genuine equity by seeking to help the lower-income annuitant.

Two Bills, H.R. 2187 and H.R. 15973 are designed to establish minimum floors of annuity payments. While H.R. 2187 would set a fixed, minimum floor of \$100 per month, H.R. 15973 would set the floor at the same level as that of Social Security, varying as the payments under Social Security increased.

Currently, the Social Security floor is \$84.50; rounded to the next full dollar, the floor for Civil Service annuities then would be \$85, or \$15 less than H.R. 2187. However, as the Social Security floor changed in the future, the Civil Service annuity floor would also rise.

These two Bills would directly benefit between 150,000 and 230,000 employee and survivor annuitants who now receive less than respectively \$85 and \$100 per month.

I am attaching on the following two pages tables showing the number of employee and survivor annuitants on retirement rolls by monthly rate of annuity. The first chart shows employee annuitant figures as of June 30, 1971. Because the survivor annuitant figures are not yet available for this date, we have attached a second chart showing both employee and survivor annuitant figures as of June 30, 1970. As you will see the figures for employee annuitants receiving less than \$100 per month dropped by almost 8,000 in 1971. Assuming a similar rate of reduction in survivor annuitants, the number of survivors receiving less than \$100 per month would remain well over 150,000.

I do not see, speaking generally, how anyone would say that \$100 per month is too high a minimum to set for an annuity. Our older citizens are entitled to more than a mere pittance to support themselves in their retirement years. In light of the flexibility intended to be available in H.R. 15973, we would urge that any feature of the Social Security law looking to raise the floor of Social Security be extended also to civil service annuitants. In other words, after the Social Security minimum exceeded \$100 then the civil service annuity floor would be concurrently raised with the Social Security floor.

As for H.R. 7805 and H.R. 15974, these two Bills seek to provide equity for annuitants receiving income above the bare minimum.

(The tables referred to follow:)

TABLE A-9.—NUMBER OF EMPLOYEE ANNUITANTS AND SURVIVOR ANNUITANTS ON THE RETIREMENT ROLL AS OF JUNE 30, 1970, BY MONTHLY RATES OF ANNUITY

Monthly rates of annuity	Employee annuitants		
	Total	Prior to Public Law 854	Under Public Law 854
Under \$10.....	82	47	35
\$10 to \$19.....	1,719	1,493	226
\$20 to \$29.....	8,476	7,441	1,035
\$30 to \$39.....	10,330	7,794	2,536
\$40 to \$49.....	8,771	5,459	3,312
<b>Subtotal, under \$50.....</b>	<b>29,378</b>	<b>22,234</b>	<b>7,144</b>
\$50 to \$59.....	9,317	5,684	3,633
\$60 to \$69.....	12,668	6,641	6,027
\$70 to \$79.....	11,204	5,132	6,072
\$80 to \$89.....	7,478	2,891	4,557
\$90 to \$99.....	131,902	5,622	8,280
<b>Subtotal, under \$100.....</b>	<b>83,947</b>	<b>48,204</b>	<b>35,743</b>
\$100 to \$109.....	7,632	2,208	5,424
\$110 to \$119.....	12,815	3,751	9,064
\$120 to \$129.....	10,513	2,786	7,727
\$130 to \$139.....	14,476	3,196	11,280
\$140 to \$149.....	12,995	2,584	10,411
<b>Subtotal, under \$150.....</b>	<b>142,378</b>	<b>62,729</b>	<b>79,649</b>
\$150 to \$159.....	12,643	2,635	10,008
\$160 to \$169.....	14,908	2,541	12,367
\$170 to \$179.....	11,606	1,583	10,023
\$180 to \$189.....	15,488	2,347	13,141
\$190 to \$199.....	14,466	1,768	12,698
<b>Subtotal, under \$200.....</b>	<b>211,489</b>	<b>73,603</b>	<b>137,886</b>
\$200 to \$249.....	84,088	9,400	74,688
\$250 to \$299.....	87,708	13,788	73,920
\$300 to \$349.....	70,152	9,447	60,205
\$350 to \$399.....	60,167	6,372	53,795
\$400 to \$449.....	46,896	3,119	43,777
\$450 to \$499.....	34,962	1,765	33,197
<b>Subtotal, under \$500.....</b>	<b>595,462</b>	<b>117,994</b>	<b>477,468</b>
\$500 to \$599.....	48,361	1,500	46,861
\$600 to \$699.....	24,781	644	24,137
\$700 to \$799.....	15,124	363	14,761
\$800 to \$899.....	9,565	140	9,425
\$900 to \$999.....	6,520	59	6,461
<b>Subtotal, under \$1,000.....</b>	<b>699,813</b>	<b>120,700</b>	<b>579,113</b>
\$1,000 and over.....	11,510	24	11,486
<b>Grand total.....</b>	<b>711,323</b>	<b>120,724</b>	<b>590,599</b>

I am attaching on the following two pages tables showing the number of employee and survivor annuitants on retirement rolls by monthly rate of annuity. The first chart shows employee annuitants as of June 30, 1970. Because the survivor annuitants figures are not yet available for the date we have indicated a second chart showing both employee and survivor annuitants as of June 30, 1970. As you will see the figures for employee annuitants during the last year 2000 per month dropped by almost 8,000 in 1970. Assuming a similar rate of reduction in survivor annuitants, the number of survivors receiving less than \$100 per month would remain well over 150,000.

I do not see, speaking generally, how anyone would say that \$400 per month is too high a minimum to set for an annuity. Our older citizens are entitled to more than a mere pittance to support themselves in their retirement years. In light of the disability intended to be granted in P.L. 854, we would have that the amount of the Social Security law looking to raise the floor of Social Security be extended also to fifth service annuitants. In other words, after the Social Security amount is added \$400 then the fifth service annuity floor would be governmentally raised with the Social Security floor.

As for P.L. 786 and P.L. 787, these two bills seek to provide equity for annuitants receiving amounts above the bare minimum. (The tables referred to follow.)

TABLE A-9.—NUMBER OF EMPLOYEE ANNUITANTS AND SURVIVOR ANNUITANTS ON THE RETIREMENT ROLL AS OF JUNE 30, 1970, BY MONTHLY RATES OF ANNUITY

Monthly rates of annuity	Employee annuitants			Survivor annuitants		
	Total	Prior to Public Law 854	Under Public Law 854	Total	Prior to Public Law 854	Under Public Law 85-465
Under \$10	118	89	29	272	95	176
\$10 to \$19	2,566	2,271	295	6,015	3,913	2,063
\$20 to \$29	10,882	9,126	1,756	12,429	5,183	6,626
\$30 to \$39	10,615	7,401	3,214	12,791	2,518	7,072
\$40 to \$49	10,765	6,994	3,771	13,626	3,002	9,879
Subtotal, under \$50	34,946	25,881	9,065	45,133	16,711	25,816
\$50 to \$59	11,411	6,359	5,032	19,536	5,235	12,832
\$60 to \$69	12,800	5,920	6,880	18,548	7,230	9,505
\$70 to \$79	8,015	3,559	4,466	53,257	5,595	46,678
\$80 to \$89	14,620	6,189	8,431	21,329	10,637	8,471
\$90 to \$99	10,209	3,459	6,750	16,061	5,478	9,992
Subtotal, under \$100	92,001	51,367	40,634	173,864	50,886	113,294
\$100 to \$109	12,949	3,933	9,016	9,435	3,121	6,314
\$110 to \$119	13,072	8,596	9,476	11,361	4,182	7,179
\$120 to \$129	15,424	3,354	12,020	8,939	2,772	6,167
\$130 to \$139	11,886	2,662	9,224	6,919	1,627	6,292
\$140 to \$149	17,166	3,420	13,746	13,141	3,124	10,017
Subtotal, under \$150	163,498	68,332	94,166	223,659	65,712	148,263
\$150 to \$159	13,139	2,176	10,963	7,905	3,108	4,797
\$160 to \$169	16,324	2,854	13,470	6,603	1,969	4,634
\$170 to \$179	14,993	1,923	13,070	6,850	2,187	4,663
\$180 to \$189	17,262	2,291	14,971	5,884	1,883	4,001
\$190 to \$199	15,851	2,181	13,672	5,263	1,442	3,821
Subtotal, under \$200	240,060	79,757	160,312	266,164	76,301	170,179
\$200 to \$249	91,958	12,580	79,378	19,629	4,269	15,360
\$250 to \$299	82,336	16,522	56,814	9,536	7,405	8,131
\$300 to \$349	61,513	8,320	53,193	4,677	622	4,055
\$350 to \$399	50,661	4,801	45,850	2,704	345	2,359
\$400 to \$449	36,644	2,356	23,288	1,564	149	1,415
\$450 to \$499	26,779	1,099	25,680	953	54	899
Subtotal, under \$500	589,950	125,435	464,515	295,227	83,145	202,398
\$500 to \$599	31,674	1,094	30,580	867	28	839
\$600 to \$699	16,491	515	16,976	336	7	329
\$700 to \$799	9,487	229	9,258	110	55	105
\$800 to \$899	5,922	82	5,840	36	1	35
\$900 to \$999	3,588	12	3,526	24		14
Subtotal, under \$1,000	657,112	127,367	529,745	296,590	83,186	203,720
\$1,000 and over	5,111	13	5,098	16	1	15
Grand total	662,223	127,380	534,843	296,606	83,187	203,735

On H.R. 13073 would be increased by \$10 million each. This should be authorized by 30 annual payments of \$3.0 million each. This should be equal to an increase of 0.10%. As you can see, the change of H.R. 13073 over H.R. 13072 amount only to one-fourth of one percent of payroll. 0.1% means 0.1% equals 0.001, or one-fourth of one percent. 70% of the balance is the lower income annuitants would be a blessing of great importance, referring these need people living at the poverty level, or one of the poorest workers of the — can pay the next year?

The cost under H.R. 13072, granting \$20.9 million increase in annuity net to equal \$20.0 million, would be increased by \$10 million of approximately \$7 billion dollars which would be authorized by 30 annual payments of \$20 million dollars annually. This should equal an increase of about 0.18%.

Of course, H.R. 13072 and H.R. 13073 were combined, they would be a desirable combination so that those annuitants being raised by amounts up to \$100,000 would not receive any further benefit from H.R. 13072. This means that if the two H.R.s were merged, the total cost would not be the sum of their individual costs but only approximately 0.2% of payroll.

H.R. 7805 would achieve this equity through a schedule of percentage increases commencing with 13% increments for all annuitants of that amount of their annuity income which is below \$3,600; for any further income between \$3,600 and \$4,800, an increment of 9% of that amount would be allowed; for any amount between \$4,800 and \$6,000, the increment percentage would be 7%; and for any amount above \$6,000, the increment percent would be 5%.

Our organization would consider it more equitable if the schedule were adjusted upwards at the lower levels, even if this required a lower percental increase in the higher income brackets which are not hurt as severely by inflation. For example, we urge the percentage increase to be 15% for annuities under \$3,600. To keep the cost in balance, this might require a reduction respectively to 8% for increments between \$3,600 and \$4,800; to 6% for increments between \$4,800 and \$6,000 and 3% for increments in excess of \$6,000.

H.R. 15974, on the other hand, would grant flat dollar increases in the amount of \$20.00 paid in full to all annuitants receiving less than \$180.00 in annuity. This \$20.00 would be diminished dollar for dollar for any amount received above \$180.00 and below \$200.00. An annuitant receiving \$199.00 per month, for example, would receive a one dollar increment. No increase at all would be given, therefore, to any annuitant earning \$200.00 or more. Under H.R. 15974, the percentage increase would range from somewhat more than 200 percent for annuitants receiving less than \$10.00 a month to zero percentage for an annuitant receiving \$200.00 or more.

We believe that some formula equitably combining the best features of these four Bills would produce both practical and ideal legislation.

We would also like to see some language incorporated which would include annuitants under Title 22, Subchapter VIII of the U.S. Code (Foreign Service employees) in the provisions of these Bills. Because these Foreign Service annuitants are paid under Title 22, the literal text of these four Bills, all referring to Title 5, would not encompass these Foreign Service retired personnel. We are certain that it would be the intent of Congress to provide them with the same remedies against inflation that would be granted other Federal retirees and we request that they be included in your legislation.

As for financing the resulting increases, we see no problem. Statistics on retirement annuities indicate that the normal cost of Federal retirements at the current benefit level was 12.95% of payroll before accounting for the retirement annuities just voted for Air Traffic Controllers. Matching employee and government salary contributions total 14%. Thus until recently there has been a 1.05% "overcharge" and we believe that the overcharge even today is so great as to offset any increases emanating from passage of the legislation before you today.

#### THE COSTS

Although it is difficult to project precisely the increased costs of these Bills, it would appear that the costs of H.R. 2187 would be based on liabilities of somewhat less than one billion dollars, to be amortized by 30 annual payments of approximately \$61 million. This should be equal to an increase of about 0.17%.

We do not favor the substitution of the formula under H.R. 15973 for the \$100 minimum. However, if that were to take place, the normal cost of annuities of H.R. 15973 would be increased by liabilities of approximately \$653 million, to be amortized by 30 annual payments of \$40.5 million each. This should be equal to an increase of 0.10%. As you can see, the savings of H.R. 15973 over H.R. 2187 amount only to one fourteenth of one percent of payroll (0.17% minus 0.10% equals 0.07% or one fourteenth of one percent). Yet the benefits to the lower income annuitants would be a blessing of great personal importance, relieving these aged people living at the poverty level of one of the greatest worries of life—can they buy the next meal?

The cost under H.R. 15974, granting \$20.00 increase in annuity not to exceed \$200.00, would be increased by liabilities of approximately 1.05 billion dollars which would be amortized in 30 annual payments of \$65 million dollars annually. This should equal an increase of about 0.18%.

Of course, if H.R. 2187 and H.R. 15973 were combined, there would be considerable overlapping so that those annuities being raised by amounts up to \$100 minimum would not receive any further benefits from H.R. 15973. This means that if the two Bills were merged, the total cost would not be the sum of their individual costs but only approximately 0.25% of payroll.

We have already indicated a preference for altering the schedule in H.R. 7805 to increase the percental increases at the lower brackets and diminishing them even more at the higher. If the Subcommittee accepted this formula, merging H.R. 7805 will not be likely to increase liabilities at the lower annuity levels in any case, because \$100 minimum, in many cases, already exceed the 15% we suggest for more than 200,000 annuitants. We have shown above the impact of H.R. 15974 on the cost table. Therefore the only additional significant liabilities would arise from increased incomes for annuitants receiving more than \$185. This additional cost, we believe can be controlled by setting the percentage rates in the higher annuity incomes at levels so that the total cost does not exceed the present "overcharge", which was 1.05% before the adjustment necessary to assume the liabilities generated by the retirement bill for air traffic controllers.

Thus, we believe that there is no problem of cost in merging these three Bills so that every annuitant now and every future annuitant can share equitably in the current "overcharge" in the retirement fund.

One further argument in support of this legislation: as you know, the Federal government has been making massive cuts in its employment rolls. While I believe that this situation is unnecessary and that there are other more prudent means of reducing Federal expenditures, we have to recognize these cuts as reality and act accordingly. Obviously attrition is a more desirable method for achieving these goals than having to "lay off" employees. Any measure which will make retirement more attractive to those eligible will help increase the attrition rate and lessen the number of firings involved in the lowering of employment levels. I ask you to take these facts into consideration in weighing the merits of these bills.

I urge you to act favorably on these Bills as the legislative hour is growing late and they are badly needed measures.

#### AFTERNOON SESSION

Mr. WALDIE. Our first witness was scheduled to have been Mr. Rademacher this afternoon. I understand he is not here. Mr. Lewis, come forward and identify yourself for the record.

#### STATEMENT OF J. STANLY LEWIS, EXECUTIVE VICE PRESIDENT AND LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF LETTER CARRIERS

Mr. LEWIS. My name is J. Stanly Lewis. I am executive vice president and legislative director of the National Association of Letter Carriers.

Mr. WALDIE. And one of the most prominent representatives of Federal employees on the Hill, I might add.

Mr. LEWIS. Thank you very much. I represent an organization of better than 225,000 members, and we are a unique organization in that we retain our retirees as full active members of our association. We have better than 15,000 retirees on our membership rolls and for this reason we have more than passing interest in the legislation you have sponsored.

We have a prepared statement, Mr. Chairman, which I would like to enter in the record.

Mr. WALDIE. That statement will be accepted and printed in its entirety in the record.

(The statement referred to follows:)

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF  
LETTER CARRIERS (AFL-CIO)

Mr. Chairman and members of the subcommittee, I would like, for the record, to state that my name is James H. Rademacher, President of the National Association of Letter Carriers, AFL-CIO. Our headquarters is at 100 Indiana Avenue, Washington, D.C. We represent about 225,000 letter carriers located in more than 6000 Branches spread throughout all fifty of our States and possessions. Today I am accompanied by our re-elected Legislative Director and Executive Vice-President J. Stanly Lewis.

I want to thank you Mr. Chairman, for inviting us to testify here today.

I also want to commend you and thank you for your efforts on behalf of Civil Service retirees. These fine and deserving people have been sadly neglected by their Government in recent years, and you have deserved their undying affection by doing everything in your power to remedy the situation.

As you know, Mr. Chairman, the NALC is unique among all postal and Federal unions in that we retain our retired letter carriers as active members, with all rights except that of election to national office. We have about 15,000 retired men and women on our rolls and we cherish them. We love them in December just as much as we loved them in May.

Unfortunately, those who retire from Federal service are somewhat diffident about organizing. The National Association of Retired Federal Employees is a fine organization and we work quite closely with them—but, between us, we have only about—at a rough guess—4% of all the living retirees from Government service. This has not given us much wallop when we start talking to Congress. As a matter of fact, it is a wonder that we have done as well as we have.

As an indication of the neglect with which our elder people have been treated, 56% of all Federal retirees and annuitants still receive less than \$200 a month in annuity.

About 30% are receiving less than \$100 a month.

About 10% are receiving less than \$50 a month.

Surely the strongest and richest nation in the history of the world can do better than that for its faithful, retired public servants and their survivors.

The plight of the Federal retiree is particularly illuminated by the passage of the recent 20% increase in Social Security benefits, to which almost no Federal retirees are entitled.

Few people realize quite how sweeping this new increase will be. In itself it will increase payments per year from the Old Age Survivors and Disability Insurance program for \$43 billion to \$59 billion. The entire economic management of the nation is being shifted around and altered and adjusted simply to accommodate this 20% increase in payments, and rightfully so.

We are not complaining about this. We are applauding it. The Social Security program—like the Federal retirement program—amounts to a compact between generations and the compact should be as generous as Christian ethics and human compassion can make it.

But, we say—why are Federal retirees excluded from enjoying benefits equally satisfactory? Why are our retirees treated as second-class citizens? Do not Christian ethics and human compassion apply to them as well as to everyone else?

Everywhere throughout the nation, in the private sector, and in State and municipal governments, the trend is to liberalize retirement programs. Retirement after twenty years at half pay is so usual it is almost a commonplace.

In 1889, when the founding fathers of our union, met in secret in Milwaukee, they formulated a set of four resolutions with which they hoped to confront management. The first of these resolutions called for improvement of the postal service. The second demanded twenty year retirement at any age.

Mr. Chairman, it took 30 years for the U.S. Government to agree to a retirement program at all! And today—after 83 years—a letter carrier must still beat his way around his route for 30 years, and be at least 55 years of age, before he is permitted to retire with 56% of his average high-three year wage. Big Deal!

Judged by any conceivable standards in or out of government, this is not a generous program and it is something of which the Federal Government should be thoroughly ashamed.

We have been much heartened Mr. Chairman, by your strenuous and enlightened advocacy of improvement—vast improvement—in this program.

For starters, we believe that Federal annuitants should be given at least as much of a break as was given to Social Security annuitants in the private sector. All annuities to Federal retirees should be increased by at least 20 per cent, to match the increase in Social Security payments.

We also feel that a floor should be placed under all Federal annuities. It is our belief that no Federal annuity should be less than \$200 a month.

As you know, Mr. Chairman, the National Association of Letter Carriers has just completed its 48th Biennial Convention. The Convention considered 54 resolutions specically and exclusively concerning retirement, and we come before you today, Sir, with a mandate as long as my arm.

The convention supported all pending retirement legislation and mandated us to devote our major efforts toward getting it passed.

The convention mandated us to seek total relief from taxation of Federal annuities and asked a 20% annuity increase *now*.

The convention demanded 20 year retirement and, hopefully, a magic formula, instead of the more familiar magic 80 formula. (In regard to this bit of conventional optimism, I am reminded of the man who said he was working on his second million, because his first million was too hard to get!)

The convention also demanded more liberal benefits to all Federal retirees, to their survivors as well as an improvement in the survivor annuity.

These are goals which we shall and indeed, must seek within the next two years. And most of these goals we are pledged to seek immediately.

I might add, however, that the delegates to our convention were adamant—as we, their officers, are—against the point of increasing the percentage of contribution on the part of the employee. All over the United States the trend is toward reducing the percentage of contribution, or even toward eliminating it altogether. Once again, we shall not permit ourselves to be treated as second class citizens and be the only group of working men in America having their contribution percentages increased, while everyone else is having his percentage decreased or wiped out completely.

This is a case in which the principle is of sovereign importance and overrules any other consideration, no matter how immediately that consideration may seem desirable.

We are purposely being brief today, Mr. Chairman, because we do not want to impede progress with verbosity. We have testified so many times before so many Committees and Sub-Committees on retirement that there is absolutely nothing new or different that we can say on the subject. You know our views and the depth of sincerity with which we hold these views. Our whole philosophy can be summed up like this: *More and Sooner*.

I, Mr. Chairman, am the son of a retired letter carrier. I know at first hand what a wretched deal the ungrateful nation has handed the finest men and women God ever chose to make.

Our present retirement program is an insult to the Federal Government and to its employees, active and retired.

The Congress saw fit to raise the Social Security payments by 20%—there is absolutely no valid argument, none on earth, that says Federal and postal employees should not be treated with equal fairness, equal generosity.

You know that, Congressman Waldie, and you have in a most effective way, carried through with most encouraging legislation. We of the National Association of Letter Carriers associate ourselves with you in your legislation. We support it without reservation.

For years, whenever the retirees have come before Congress the general attitude of the powers that be has been that we would like to be helpful, but the weak excuse has always been that there simply was not the money to do the kind of job the retirees were seeking. The franker Members of Congress said this was because there are so *many* retirees that the financial problem was especially compounded and complicated.

The argument cannot be permitted to prevail any longer.

Congress, in a wave of enlightened liberalism, has passed legislation treating a far larger body of citizens with most commendable generosity. It has increased Social Security benefits by 20%.

To quote your own words, Mr. Chairman—it would be an "outrage" if Congress were to refuse to do likewise for those who have deserved so richly of their government and of the American people.

Mr. LEWIS. Thank you very much. Mr. Chairman, I want to join in the comments made earlier this morning in regard to Mr. Tom Walters of the National Association of Retired Federal Employees. Mr. Walters was associated with NALC from 1946 through 1949, so we too have a high opinion of Mr. Walters, and we encourage our retirees who have retained membership in our organization to also affiliate themselves with that organization, because we know the fine work they have done.

I am not going to read much of my testimony, because much of it is a duplication of what has been said this morning, and I do not want to be repetitious. I do want to say that I am disappointed, but not surprised, with the testimony given by Mr. Ruddock of the Civil Service Commission opposing the legislation that you and other members of the committee have introduced. I say I am not surprised, because in the many years we have been testifying up here on this type of legislation or any other legislation that would benefit Federal employees, or, particularly postal employees, we have yet to have the Civil Service Commission come before the committee with a favorable recommendation.

We too want to applaud the action taken by the Congress in passing the social security legislation, which increased the benefits of those drawing social security benefits by 20 percent. We applaud this and we think it is long overdue. But we strongly believe that Federal employees should be treated likewise in their retirement benefits.

On page 3 we point out that everywhere throughout the Nation, in the private sector, in the State and municipal governments, the trend is to liberalize retirement programs. Retirement after 20 years at half pay is so usual that it becomes almost commonplace.

We believe that similar action should be taken by the Federal Government by paying their retirees at least 50 percent of the salaries that they retired from. I noticed in several of the testimonies this morning that the witnesses advocated a minimum of \$100 as a monthly annuity.

On page 4 of our testimony we point out that we believe a floor should be placed on Federal annuities, but it is our belief that no Federal annuities should be less than \$200 a month. We firmly support the legislation that you, Mr. Waldie, have introduced, particularly the two bills you have introduced this past week, and we hope that some action will be taken in this Congress to approach that minimum.

We have just come out of a convention in New Orleans 2 weeks ago, and because of the fact that we do retain our retirees as active members in our association, we had some 54 resolutions endorsed by the convention, supporting legislation benefits for retirees, as well as improvement in the retirement system. As soon as we have had a chance to analyze them and prepare them, we hope to come before you and other Members of Congress and ask for support. We particularly are in favor of increased annuities for those persons who are suffering from low retirement annuities. Few of the people we represent have been paid high salaries during their working lives, and as a result do not have very high annuities.

We were pleased to hear Mr. Ruddock announce that, if you want to get the most for your dollars in the retirement annuity benefits, they should be distributed primarily to those in the lower income brackets.

So for this reason, we would support the legislation that you introduced calling for graduated increases in annuities as well as other legislation.

I think our testimony is self-explanatory as to what our aims and aspirations are. As I say, much of it is a duplication of what has been said earlier.

Without being repetitious, this is the substance. Thank you.

Mr. WALDIE. It is an excellent statement. As a matter of fact, it is deserving of considerably more exposure than simply inclusion in this committee's record, and I personally will attempt to do something about acquiring larger exposure for it. I particularly was impressed and disturbed by that statistic that only 4 percent of the living retirees from governmental service belong to any organization representing them. Is that right?

Mr. LEWIS. This is true according to our figures. The 160,000 that the NARFE organization claims—we claim 15,000, and our figures are fairly accurate. Many of those 15,000 are also members of NARFE, and you take around the almost million Federal employees who are retired, there are less than, I would say, 165,000 would be the maximum.

Mr. WALDIE. That is really too bad. I suspect you are dead right that that explains why we have such a difficult time keeping these retirement programs up to a benefit level, that we can take pride in it. It is a shame, but it is nonetheless a fact that the squeaky wheel gets the grease around here, and that does not mean that people are not sympathetic or compassionate. It means their attention is diverted by so many other demands on limited resources and time that those who are not able to compel or demand attention to their attempts to adjust grievances just simply do not get it. Those people who are in retirement that have no voice speaking for them, except this limited voice, are doing themselves a disservice. I am just amazed at that figure. I assumed it was much higher.

Mr. LEWIS. I am rather surprised. Our experience in encouraging and retaining those who retire from the Postal Service, to retain their membership in our organization is, I think, unique. In checking with other organizations, I find that to the best of my knowledge, we are the only Federal or postal organization that does allow these privileges. We allow the retirees full privileges, with one exception. They cannot be elected national officers of our organization after they have reached their 65th birthday. But this is a universal requirement we have. A person could retire younger than 65 and still be elected national officer. This is a constitutional provision which we believe is a wise one and which we believe in very firmly.

Mr. WALDIE. I am sorry but the second bells have rung. I am going to have to go over for the rollcall vote. Again I appreciate this testimony. Please extend my commendation for the content of this statement to Mr. Rademacher, and you have been most helpful.

Mr. LEWIS. If I may take a second, Mr. Rademacher would have been here today, he planned on it, but some other pressing business with the Postal Service came up and he could not make it, so I am here in his place.

Mr. WALDIE. We fully understand that. We fully consider you an absolutely adequate substitute.

We will recess.

(Short recess.)

Mr. WALDIE. Our next witness is Mr. Les Dorson, president, Retirement Federation of Civil Service Employees of the U.S. Government.

**STATEMENT OF LES DORSON, PRESIDENT, RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF THE U.S. GOVERNMENT**

Mr. DORSON. 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.

Section 1 of H.R. 2187 proposes minimum annuities of \$100 per month. As we understand the bill, this minimum would apply to both the employee and his survivor annuitant including children.

Under the present formula for computing annuities, service of 9 years and 4 months, at an average annual salary of \$8,000, would be required to produce an annuity as large as \$100 per month for the employee outside the congressional service. The same employee would require service of at least 15 years and 8 months to provide a survivor the same \$100 per month.

H.R. 15973 also proposes minimum annuities, but would establish that minimum at the smallest primary insurance amount under the Social Security Act. This amount will be \$84.50 per month beginning on September 1, 1972. Under the present formula for computing annuities under the civil service retirement law, 8 years' service at an \$8,000 average salary would be required to produce \$85 per month for the employee.

We believe there is ample reason for providing minimum annuities, particularly under present living costs. Just what this minimum should be and how it can best be provided is difficult to know. We do not believe, however, that the methods proposed in either H.R. 2187 or H.R. 15973 are equitable when they stand alone. To provide an annuity for the employee with the minimum of 5 years' service almost as much as 10 years' service will produce, seems to us most unfair.

Mr. WALDIE. Those are excellent statistics. Those are the kind of statistics I sought to have, but I did not know how to ask the question of Mr. Ruddock. I wanted to get a fix of how long a person would have to work to draw any kind of money, according to the proposed changes in the law, and according to your statistics it is a considerable amount of time to receive such a minimum amount of pension.

Mr. DORSON. Yes. With respect to the question Mr. Scott asked about the people presently retired, how many had annuities of less than \$300 a month, I do not remember the figure that Mr. Ruddock gave, but it was a pretty sizable number of people. So I made a computation at that time. It would require a little better than 24 years of service at \$8,000 salary to produce an annuity of \$300 a month. Thirty years of service at \$8,000 salary under today's computation methods, would only produce \$375 per month for the employee, and would only provide the widow with \$206 per month.

I think the point that we attempt to make, Mr. Chairman, is that whatever is done, it should be done equitably, there is no simple way of saying that people do not get enough to live on, and therefore these people ought to be raised to a minimum. But then you talk about

these people today, what do you do with people who retire tomorrow who will get that little or less? These people who retire today—and this has been since December 1969 or January 1970, actually, have been paying 7 percent for their benefits whereas a good many of the others now who have been on the rolls for a long time have paid as little as 5 percent for their benefit.

It is even more unfair to pay the survivor of the employee with 5 years' service as much as the survivor of the employee who served nearly 16 years. If minimums are to be established, an approach should be used which will avoid, to the extent possible, these inequities.

We suggest that a much more equitable approach to this matter would be to add an amendment, in lieu of the present section 3 of H.R. 2187, which would increase the computation rate to 2½ percent of average salary for everyone under the civil service retirement system. The effect of such an amendment would be to provide, for the employee with an \$8,000 average salary, an annuity of \$100 per month with 6 years' service and the same annuity for his survivor when he has 11 years' service. For this purpose, we suggest that you consider the language of H.R. 6622 by Congressman Leggett.

Mr. WALDIE. That was a good suggestion. It does have inequities in that regard and considerable inequities. Do you have any idea what increase an unfunded liability would result from that approach?

Mr. DORSON. Yes, Mr. Maurice Brown, who is now retired, formerly actuary of the Commission, who I am sure you know, gave me the figures a couple of years ago. At that time he estimated that normal cost would be 2.9 percent of the payroll and the unfunded liability would increase by \$12 billion.

Mr. WALDIE. For the Leggett bill?

Mr. DORSON. For the Leggett bill; yes, sir.

We recommend the elimination of section 3 of H.R. 2187, and its replacement by the provisions of H.R. 6622, because we think its enactment would damage the funding method established in the civil service retirement law, just a little more than 2 years ago, and after many years of hard work by this committee and others. In our opinion, circumvention of section 8348 (g) of title 5, USC, as proposed is most unwise.

With respect to H.R. 7805, we believe it reasonable to assume that employees who retired prior to October 20, 1969, and their survivors, are a little short on retirement benefits as compared to those who have since retired. For those subsequently retired, there have been some improvements in benefits as well as increases in the salaries on which annuities are based.

We are unable to determine the comparable value of an annuity before and after October 20, 1969. Whatever the difference, it is offset, at least to some degree, by cost-of-living increases totaling 18.9 percent since that time including the 4.8 percent effective July 1, 1972. To this might be added the fact that employees retiring after December 31, 1969, have paid one-half of 1 percent more for their benefit.

Although we support an increase in annuities based on separations before October 20, 1969, we think the proposed graduated scale of percentage increases is inequitable. The difference of more than 5 percent between the lowest and highest annuity results in a compression of

annuities which is a radical departure from the formula on which the annuity was originally based.

We assume that the graduated scale of percentage increases proposed by H.R. 7805 and the \$20 per month increase for annuities of \$180 per month or less proposed by H.R. 15974 are based on economic need. But civil service annuities have, with some exceptions, always been based on length of service and salary. Therefore, we suggest that you amend H.R. 7805 by providing that all annuities to which the bill applies be increased by a flat 13 percent.

Mr. Chairman, we are grateful to this committee and the sponsors of the bills for their interest in this legislation. With the amendments suggested, we endorse H.R. 2187 and H.R. 7805 and ask that you report them favorably to the full committee and the House at an early date.

Your kindness in affording an opportunity for the expression of our views is very much appreciated.

Mr. WALDIE. Thank you very much, Mr. Dorson. It was a major contribution. It is a complicated thing to understand.

Mr. DORSON. It is indeed.

Mr. WALDIE. The impact of these bills is complicated.

Mr. DORSON. It is difficult to determine an equitable method from making adjustment short of complete recomputation which seems to be administratively infeasible, if not impossible. It is a very difficult task, Mr. Chairman, and we recognize that and I wish I had a panacea. I do not have one.

The thing that concerns us most is that whatever is done is to deal equitably with all employees. That you not increase annuities, regardless of economic need, unfairly. These people have earned annuity based on salary and service and their cost is based on salary and service, and therefore after they are retired to adjust inequitably the annuity is dealing unfairly with them. I realize that 10 percent of \$100 is much less than 10 percent of \$300, but I think we all became accustomed to living on our income, whatever it may be.

Mr. WALDIE. One of the difficulties I guess is the concept that is really not part of any retirement system, but the dollars you earn, while you are working, upon which retirement was computed, have to reflect dollars you have to pay out today to live. Theoretically when we decided we were earning \$200 a month, that \$85 was an adequate retirement income, that you could live reasonably on \$85 that would replace your \$200, and then when it requires now \$800 a month to live, obviously something is askew, if we still contend that \$85 is enough to live on reasonably.

We ought to get away from the dollar computation and go to the facts of what it costs to live. The Government paid you at the time you were productively at work what it cost to live, your salary was based upon living costs at that particular moment in time, and it seems to me the pension should have a direct reflection to what it costs to live, which is what your salary was based on.

Mr. DORSON. I think while it does not keep pace completely, since 1965, since 1969 particularly when the additional 1 percent was added automatically to the cost of living, that we have gone a long way toward keeping annuities current.

Mr. WALDIE. I think with that reform we will not get as far out of adjustment as we have gotten. I think legislative direction at least for

the time being ought to attempt to improve those who were not the beneficiaries of that reform. Anyone retiring now has at least some opportunity of keeping his retirement dollars in line with his cost of living.

Mr. DORSON. Prior to that time, the annuities got considerably out of kilter before they were increased. Then we used to have annuity increase bills that were enacted periodically and always they got everything out of adjustment because you went up to a cutoff date, and so the guy who retired just before got 15 percent more than the fellow who retired with the same salary and service 2 days after.

Mr. WALDIE. That is not fair.

Mr. DORSON. They were not completely out, but they were not nearly so actively adjusted as they are now. Of course they were out of kilter much longer.

Mr. WALDIE. It is a difficult problem. I think this committee due to Dominick Daniels tenure as chairman has an easier approach, an easier job than existed prior to Mr. Daniels' chairmanship, where he was really confronted with a very difficult problem. The reforms that were instituted during his tenure in this position make any successor have an easier job at least than he had.

Mr. DORSON. It still is not easy.

Mr. WALDIE. No, it is not.

Our next witness is Dan Jaspan, Postal Supervisors Association. Dan, I really apologize to you for the delay in getting down to our witnesses. But your courtesy in bearing with us is appreciated as it always is. I need not tell you that you are always very, very welcome before this committee, and your contribution has been enormous, and we look forward to hearing what you have to say today.

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

Mr. JASPAN. Thank you. It is always a pleasure to appear before your committee, Mr. Chairman. I know you try to come up with the most equitable solutions to our problems.

For the record my name is Daniel Jaspan. I am legislative representative of the National Association of Postal Supervisors. Up until the great exodus of June 30, we had approximately 36,000 members. We lost about 3,400 on June 30.

Mr. WALDIE. How many?

Mr. JASPAN. We lost about 3,400 supervisors, 1,800 postmasters, that is 5,200 out of 19,000 employees who retired—way out of line.

Mr. WALDIE. Unbelievable.

Mr. JASPAN. That shows the low morale, the unhappiness of the management of the postal service today.

Mr. WALDIE. Sure does. I must say as an observer, fairly close position, with great justification the unhappiness and low morale.

Mr. JASPAN. We are quite concerned about it, Mr. Chairman, because it is not getting better. When I first came into the Postal Service, a supervisor never retired until he reached a mandatory age of 70 or died or illness prevented it. It was considered a good job then and people enjoyed their work.

But today there is so much fear and frustration that they want to get out at the earliest possible time, and that is why so many have taken advantage of this retirement, and every time there is a cost of living adjustment the supervisors retire way out of line with the others. This time the postmasters joined in. Eighteen hundred postmasters are quite a few.

Mr. WALDIE. I had no idea that the statistics were that alarming.

Mr. JASPAN. Of course our members being the older group of the Postal Service are much more interested in retirement and retirement benefits than most of the other employees. That is why we are very much interested in what this committee does.

I do not have a prepared statement. I just wanted to mention a few things, because I realize that almost everything would be said that should be said by the time I appeared before the committee. But one of the things that we are very much concerned about is the problem that Mr. Dorson pointed out, some of the inequities that can be created by taking care of any special groups.

Now for example, when I entered the Postal Service, the average clerk or carrier earned about \$2,100 a year. Supervisors received more, they paid more into the retirement fund. Everyone got the same retirement annuity, \$1,200, whether it was supervisor making \$5,000 a year, 40 years of service, or a clerk and carrier making \$2,100 a year, with less service. The maximum annuity was \$100 a month.

We would not like to see it return to anything like that again. We support strongly the idea of annuity based on the length of service and earnings. We think it is very important to maintain that principle, because we still have the inequities. We still have the inequities created by the other system.

We do hope you will be very cognizant of the inequities that can be created by a cutoff. That is another reason we are not too happy about the bill that would give greatest percentage of the first \$3,600, and decrease the percentage, because that would create additional inequities. We always felt if there was a percentage increase, it should be on a percentage across the board, rather than based on the annuity at different levels of annuity.

Mr. WALDIE. Again, Dan, that sort of assumption though has as a premise that the system is equitably balanced at the present time, and so unless the increase reflects throughout the system, it will come into imbalance, I presume. To require a percentage increase to go right up the system from bottom to top, because you do not want to throw the system out of kilter and create inequities is another way of saying the system as it presently is constituted is equitable in the distinctions that exist.

Mr. JASPAN. Well of course we have felt pretty strongly that it was a fairly equitable system, especially the way it is based on earnings and length of service of each individual. If he works longer and has higher salary, he will get more money.

But to give somebody the additional money who does not have length of service or the earnings seems to me it creates another inequity.

Mr. WALDIE. I suppose that is right, but that is the way the system is constituted. In the social security system, well there is a reflection in that of earnings, is there not? You draw higher benefits if you have higher earnings, and you draw—

Mr. JASPAN. For the maximum annuity they have to have had maximum earnings over the years.

Mr. WALDIE (continuing). Somehow or other I find myself a little turned off by the assumption that is contained within the assumption that retirement income ought to be dependent upon the income you were earning at the time you retire. For example, if you earned \$6,000 a year, you should be able to live in retirement on \$200 a month, whereas if you earned \$20,000 a year, you are going to require \$500 a month to live on. That is not necessarily true. Not necessarily a truth.

Mr. JASPAN. Still, take the average earnings of the Federal Government—

Mr. WALDIE. As a matter of fact, the higher you earn during your productive years, the less you should be dependent upon retirement income, because presumably you would have had an opportunity during those productive years to set aside resources of your own. It is presumed that a Congressman earning \$42,500 when he retires will have had a better opportunity to provide for his declining years than the Federal employee earning \$500 a month.

Mr. JASPAN (continuing). Theoretically that is true, Mr. Chairman. But with the average earnings in the Postal Service, for example, I know of very few people who can put enough aside to take care of their old age, because it is so easy to live up to the maximum. We want to have our luxuries, whatever you call them, we want to live better, we want our children to live better, and there are very few people, even the higher brackets who can put that additional money aside, except possibly in insurance, but the tendency today is to live up to the income. Even with the congressional income of \$42,500, you have your expenses that have increased since you became a Member of the U.S. Congress. It is not the same as when you were a member of the California Legislature. You certainly have much more expenses here. And when you go into higher earnings—

Mr. WALDIE. I am not offended being paid more in retirement because I earned more in productive years, if I thereby contributed more to retirement, which is the case now. But I just throw out for my own discussion, if we moved entirely away from that system and went back, if you will, to the old system that says—not to the old system, but say the employee pays not a dime toward retirement, that the Federal Government picks up all the tabs of retirement, then I think retirement ought to be based on what it takes a couple to reasonably live, not based upon how well they lived in their productive years, because they are not producers when they retire. I mean they ought not be able, it seems to me, to thereby be able to live better than the fellow who was a producer, but received less money. I am not articulating it well, but it kinds of offends me that a Congressman getting \$42,500 should be able to retire—I only use Congressman as an example—at, say, \$30,000 a year, and the fellow that worked all his life and spent just as many hours, worked just as hard, earned, say, \$10,000, he and his wife have to live on \$6,000 a year or \$5,000 whatever it might be. That does not seem right to me.

Mr. JASPAN (continuing). By the same logic, Mr. Chairman, would you say everyone should get \$42,500 for their productive years?

Mr. WALDIE. No, because there I think it is not the same logic, because none of these people are producing at the time I am talking about. Their productive years are through. While they are produc-

ing, they ought to be paid in accord with the extent of their production, if you will. Once they quit producing, they ought to be paid the same. How does that go wrong?

Mr. JASPAN. I just cannot agree with that because as I mentioned before, we all live up to the maximum for our own comforts and our salaries of productive years. To suddenly say you have to cut it off, if you are living on \$15,000 a year and have to learn to live on \$5,000 a year, that would be pretty tragic to try to do that. Of course if you are making \$15,000 a year and you give us \$12,000 a year that is a different thing, if you are going to give everybody \$12,000, but if you cut it way back—

Mr. WALDIE. You live as high as you want as long as you are producing income that sustains it. When you stop producing, and you have not contributed anything toward this retirement benefit under the proposal—I am playing the devil's advocate here—you have not contributed a dime, it is totally contributed by the employer, so you have got the right to set aside whatever you want to live at whatever standard you want when you retire, but all the employer is guaranteeing is that you have at least a standard of living when you retire, decent standard of living, but everybody ought to have a decent standard of living, and there ought not be classes—

Mr. JASPAN. You are referring to noncontributory system that the employee would not contribute anything?

Mr. WALDIE. Yes.

Mr. JASPAN. That is one of the reasons I have always opposed that. We have had such resolutions in our conventions. If that were done that way—

Mr. WALDIE. If he contributes, I agree.

Mr. JASPAN. I have opposed any resolutions—

Mr. WALDIE. If an employee contributes, I agree there ought to be some reflection of his increased contribution. He in fact has bought himself a higher retirement benefit. If there is no contribution, then I am inclined to believe that, well as I stated, anyway, that is sort of an aside from the point. That is not before the committee. But it has some bearing upon your contention and Mr. Dorson's contention that to increase the minimums without reflecting that increase along the line creates inequities for those along the line. I tell you where I stumble on that. A fellow receiving \$85 a month retirement income and a fellow receiving \$30,000 a month retirement, your suggestion is that if you increase the \$85 a month fellow to \$100, and not increase \$30,000 retirement, you have created an inequity. I have taken the extreme to put the argument in context. I do not find that an inequity. I find very strange the inequity that the fellow gets \$85, and that is way too small. I do not say \$30,000 is way too large. Neither am I saying that by increasing \$85 a month annuitant to \$100 or even \$200 that you therefore should increase percentage-wise the \$30,000 annuitant.

Mr. JASPAN. I am not opposed to putting a floor under the annuity. That I do not oppose. What I would like to see, if there is a floor, that that floor would be imposed just for those employees who have made a career out of the Federal service, not just men who barely finished 5 years and then went to more lucrative position in industry.

I could go along with that if you would set a floor, say, 15- or 20-

year service, and if a man and a woman does not come up to a certain minimum, bring them up to that minimum. But for a man who just used this as a stepping stone, as when I came into the Postal Service, when most of the fellows were going to college, where they worked 4, 5, or 6 years to work their way through college. Then they became doctors, lawyers, Members of Congress, Supreme Court Justices, and they certainly do not need this small amount of annuity they are getting, it does not mean anything to them. But if they worked 15, 20 years and made a career out of this, it was a major career, then I can see putting the floor under it. But just because of the fact that certain people who worked 5 years or 6 years do not have a standard of living that can be supported by their annuities, I cannot see bringing them up to it since they are noncareer persons, in other words.

Mr. WALDIE. I think that is a proper distinction. I found myself somewhat concerned about the man who works 30 years, but averages \$500 a month, and I agree with you; I do not think there is a great responsibility toward his future retirement years. But the basic premise that we ought not make any adjustment in this system without making them through the system is one that I am having some trouble with, and yet there is an argument that you will recall so frequently we had that when we were talking about pay increases in the Postal Service, the immediate inclination of a Congressman is to increase the lower salaried employees and not worry about the others, on the assumption that they have the greatest need and there is not enough resources. We will just worry about them. I was very well persuaded by your arguments in those days that to do that would create grievance inequities where you removed an incentive for the man to become a supervisor. Supervisors getting less than many people they supervise because of our failure to recognize those inequities, but I do not see that in this. The problem was incentive that we were directing ourselves to, the inequity that was caused was inequity that had adverse consequence of removing incentive to the employee to become a supervisor, and the low morale of the supervisor was another problem that resulted.

But retirees, none of those problems are of concern to us except the human problem of can they live adequately? We are not worried about whether they think the fellow beneath them is being treated better or worse than they, or the fellow above them better than they. We were only worried, it seems to me, as to whether those that had been treated unequitably, given the wrong spectrum, I think it could straighten that out. Is your argument essentially the same as the argument made about inequities in the pay structure?

Mr. JASPAN. Of course we are dealing with human beings and not abstractions. It is the human tendency of the person who is receiving a certain amount, having earned that higher amount, whether it is retirement or actual working to think why should this man who has not performed the same as I or has not contributed as much as I, why should he get the same benefits as I?" That is the human element.

If we are going to look at it from the welfare element, I agree with you, everyone should get the same amount. Everyone should get a living retirement so he would not have to worry about the future. Our next step is to take Scandanavian approach, having a complete welfare state, that would be the next logical step from it.

Mr. WALDIE. I suppose.

Mr. JASPAN. I do not know whether that is all bad.

Mr. WALDIE. I do not know either.

Mr. JASPAN. That would be the logical extension.

Mr. WALDIE. I think that is going to be part of the national debate in the coming years whether all retirement systems are not really part of that basis—the type of situation we talked about where a fellow and his wife have to receive welfare because they cannot live on retirement pension, and they want an increase in their retirement pension. That did not mean that they received one extra dime to live on, that would just simply be deducted from their welfare grant. But it is the people response that you alluded to that dictate an increase in their pension so that the dignity, I suppose is a task, to receive any pension rather than welfare benefit can be maximized. Maybe those are the kind of hangups—

Mr. JASPAN. Human equation is the most difficult part of this.

Mr. WALDIE (continuing). We are trying to work that human equation out, and with people like you helping us, we will keep trying.

Mr. JASPAN. I have two more points to make. Since you are basing these latest bills of yours on social security, I would like to have two items considered in the overall subject.

One of them, as you know, social security, provides for survivor annuities. There is no deduction in the employee's salary check. He gets the full check and the survivor gets a certain amount. I would like to have the committee give good consideration to the idea of no deduction for survivor benefits for one thing, and another is to increase survivor benefits. I think that is something that is extremely important, because under social security, as you know, the survivor gets 82½ percent of the worker's annuity, and the President has recommended 100 percent to be effective as soon as H.R. 1 is approved. I hope it will be, and I would like the committee to give some consideration to increasing survivor annuities—we do not ask for 82½ percent or 100 percent but we would like to see it increased to some figure like 75 percent of the worker's annuity.

Mr. WALDIE. That is certainly consistent with my view, although 100 percent is more consistent with my view and that I believe that pensions that are paid to people ought not be dependent upon how much money they were making in their productive years. I know they are now and they are based upon the contribution that the person made during those years.

I really think the basic purpose of a pension is to keep an employee who has rendered faithful service for the period of time specified living in dignity when he leaves employment, and any other argument about pension are secondary to that objective. And any pension that does not permit an employee, who has given faithful service to live in dignity, is inevitable, regardless of how much he or she contributed.

Mr. JASPAN. That is why I would like to see survivor also be given annuity to live in dignity. If the retiree dies, many expenses go on 100 percent.

Mr. WALDIE. Right. To have that survivor's annuity, or chances of life dependent upon the gamble of a death or living, does not make any sense to me at all. It just is an improper thing.

Mr. JASPAN. Of course social security has recognized that to a certain extent by giving 50 percent of the amount to the spouse while alive.

Mr. WALDIE. Well, ultimately you have to come to the conclusion that Americans by virtue of being Americans are entitled to live in dignity, and all the consequences from that conclusion will flow. One of those consequences seems to me that they are entitled to live in their non-productive years at a level of income that would provide dignity to them, however it is provided.

Mr. JASPAN. We could not quarrel with that, Mr. Chairman.

Mr. WALDIE. I doubt many could, until they started having the bills before them in the Bureau of the Budget, and they will quarrel with it. Thank you very much, Mr. Jaspán. Again it was a very, very good contribution and I appreciate your liberal response to my colloquy with you.

The committee is adjourned.

(Whereupon the committee was adjourned at 3:10 p.m., subject to the call of the Chair.)

(The statements which follow were ordered placed in the record:)

STATEMENT OF HON. BOB WILSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I appreciate the opportunity to submit testimony on behalf of my bill, H.R. 12879, and want to thank you and the members of the Subcommittee for your interest in this legislation.

H.R. 12879 would provide a graduated increase in Federal retirement annuities, with the greater percentage going to those in the most need. Thus, annuitants with less than \$3600 per year would receive a 13 percent raise; those between \$3600-\$4800, 9 percent; those between \$4800-\$6000, 7 percent and those over \$6000, five percent.

I know that all of us are concerned about the continuing rise in prices, rents, services, etc. over the past decade. Although wages have gone up considerably during that time for both Government and non-Government employees, those living on fixed incomes have failed to keep pace despite the cost-of-living escalator in the Civil Service retirement law. I am certain we have all received many letters from senior citizens regarding their dwindling financial reserves and their inability to maintain financial independence and personal dignity in the face of rising living costs. While welfare is designed to help those who have no other resources, the tragic irony of welfare is that those it is intended to help are often too proud to accept it. There is considerable Congressional interest in the problem of adequate pensions for retired workers. The Federal Government should be a leader in assuring that those who spent a lifetime in Government service are not consigned to poverty and despair or even welfare in their waning years.

The National Association of Retired Federal Employees will be presenting to the Subcommittee statistics to illustrate the financial plight of many elderly retirees. Many of these annuitants retired a number of years ago when salaries were considerably lower and the retirement computation formula much less liberal. Of present Civil Service retirees and their survivors, one quarter receive less than \$100 per month; one half, less than \$200; and more than two-thirds, less than \$300 per month. Although the question has been raised that many of these annuitants on the lowest rung of the financial ladder were employees with only a short period of Federal service who would be eligible for retirement benefits from other work sources, the extensive volume of correspondence in NARFE's files substantiates that there are a great many Civil Service retirees with 20, 30, or even more than 40 years service with meager annuities.

I hope that the Subcommittee will act favorably on H.R. 12879 or similar legislation to increase the retirement benefits of the lowest paid Civil Service annuitants and their survivors. I would like to thank the Chairman and members of the Subcommittee for their consideration of this legislation.

STATEMENT BY HON. FRED SCHWENDEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. Chairman, for quite some time, I have been concerned with the plight of retired Federal employees, a group that has continually been ignored by Congress when dealing with the impact of inflation and the rising cost of living on retired individuals. Today, several pieces of legislation are being considered which would go a long way toward registering the inequities in the Civil Service Retirement Act.

I have introduced a bill (H.R. 4439), that would provide a graduated scale increase for all Civil Service annuitants and survivors. This increase is desperately needed, as there has not been a general increase in annuities since 1965 and the periodic cost-of-living increases no longer have a realistic base. Consequently, some 200,000 of the Civil Service retirees receiving annuities receive less than \$300 per month. At the same time, only one-third of all retired Federal employees are eligible for Social Security or any other supplementary pensions.

Another proposal which I have introduced (H.R. 4441), provides for a \$100 monthly minimum annuity for a single person and a \$200 monthly minimum for a couple. It is clearly impossible for a single person to exist on less than \$100 a month or for a family to live on less than \$200 a month in today's economy. I am personally embarrassed that a minimum annuity provision of this type has not been in effect long before now.

Another glaring inequity in the present Civil Service Retirement laws is the provision which compels retirees who have been predeceased by their designated survivors, to continue to have a percentage reduction in their annuities withheld each month to provide for survivor benefits which can never be received unless the retiree remarries and the second spouse becomes the survivor. Those retirees who do not remarry continue for the remainder of their lives to pay the percentage reduction, some as much as 25% each month, with no benefits derived. A bill that I am sponsoring (H.R. 4443), would correct this inequity by restoring full annuity to retirees who have lost their designated survivors and not remarried.

The situation of our Federal retirees is deplorable. During the past 45 years, there have been many changes in our Civil Service retirement system. For many years, most of the changes were retroactive to provide benefits for those previously retired commensurate with the benefits granted to those who would retire in the future. However, during the 1950's and 1960's, the liberalizations of retirement benefits have not been made retroactive, with the result that many inequities have arisen. We must establish some measure of correlation between the benefits awarded prospectively during the past 15 years and the benefits now paid to those who retired prior to the effective dates of such prospective legislation. Otherwise, how can present Federal employees have any assurance that they, too, will not be forgotten as soon as they leave the active working force?

Certainly, all of our senior citizens are suffering, and there is no excuse for this. But, many of our Federal retirees are suffering most of all. The only way to correct this grave injustice is by granting former Federal employees a substantial annuity increase and provide them with a minimum annuity. Much of the legislation being considered today will help restore dignity to the retiring years of many who served their government for a working lifetime. I firmly support every proposal designed to give an even break to our retired Federal employees.

STATEMENT OF HON. GUS YATRON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman and members of the subcommittee, I genuinely appreciate the opportunity to offer supportive remarks before this distinguished Subcommittee in behalf of legislation I have introduced, H.R. 9415, to provide increases in Civil Service retirement annuities. I commend you for conducting these important proceedings relating to legislation of importance to retired employees of the Federal Government.

I am certain that the Subcommittee has at its disposal ample statistics which serve to underscore the points raised by those who advocate increases in retirement annuities.

For example, we know that many retirees are receiving less than \$100 a month, despite the fact that they have many years of federal service to their credit:

in some instances, as much as forty years or more. It is a misconception that federal retirees have nothing to worry about as far as their retirement is concerned. What of the many who retired years ago when pay levels were far less than they are today?

Past and present adverse economic conditions have played and are playing havoc with the financial well-being of today's federal retirees and these conditions will more than likely worsen as time passes. This raises some very serious questions about the annuitant's future.

The Subcommittee has before it a number of proposals, all of which are beneficial to retired government employees. My bill deals with an immediate need; that is, the need to raise the annuity level. H.R. 9415 provides that each annuity payable from the Civil Service Retirement and Disability Fund (other than the annuity of a surviving child) having commenced prior to October 20, 1969, shall be increased as follows:

If annuity is—		
Greater than—	But not greater than—	The amount of increase is—
0	\$3,600	13 percent of the annuity.
\$3,600	4,800	\$468 plus 9 percent of the excess over \$3,600.
4,800	6,000	\$576 plus 7 percent of the excess over \$4,800.
6,000	-----	\$660 plus 5 percent of the excess over \$6,000.

It also provides that annuities paid to the surviving spouse of an employee or Member whose annuity commenced after October 19, 1969, and prior to or after the enactment of this Act shall be increased.

With the retired population in our country increasing and the difficulties resulting from our ailing economy remaining, the need to act now is great. Increased annuities are as important and vital to retired federal workers as they are to all other retirees. They have no redress but to look to you, as consistent champions of their economic well-being, in an economy that offers little other hope for a more encouraging financial future. You have at hand the opportunity to exercise both hindsight and foresight, as you have always done in the past, in considering the meaning of H.R. 9415 as it relates to the retiree and the widow.

The difficulties of the older worker today will not likely disappear tomorrow when the younger employee takes his place—unless we act now to provide cushion for them.

Each of you serving on this Subcommittee have achieved expertise in the area of Civil Service retirement legislation which is why I would not attempt to belabor the point with endless statistics. I feel confident that you will follow through with your excellent record of achievement and extend favorable consideration to H.R. 9415 and to other Civil Service legislation which offers hope for a brighter economic future for America's retired federal employees.

Thank you.

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

Mr. Chairman and members of the subcommittee, my name is 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, with over 55 years of service to the Federal employee.

The NFFE is glad to have the opportunity to submit its view on the bills before this Subcommittee. We warmly endorse H.R. 7805 and H.R. 2187 relating to annuities of retired Federal employees.

H.R. 7805, sponsored by you, Mr. Chairman, and seven of your colleagues, rectifies a long standing inequity by providing "increases in certain annuities payable under Chapter 83 of Title 5, United States Code, and for other purposes."

H.R. 2187, sponsored by Mr. O'Konski, also proposes an amendment "to Title 5, United States Code, to provide a minimum civil service retirement annuity of \$100 a month, and for other purposes."

We respectfully call to the attention of this Committee that the NFFE on March 8 of 1972 testified before the Subcommittee on Compensation and Employee Benefits, Senate Post Office and Civil Service Committee on S. 604, the related bill to H.R. 7805 and introduced by Senator Montoya.

At the same hearing, testimony was presented on S. 210 introduced by Senator Fong which provided an increase of certain annuities by five percent. At that hearing we stated we were in agreement with the approach taken by S. 604; that we are all aware of the valued contributions made by Federal retirees during their career and that we do owe a debt of gratitude to them. H.R. 7805 will make it possible for these retirees to enjoy their retirement more fully. The need for this is all the more urgent and obvious in light of the present high and still rising cost of living which makes it extremely difficult for those on modest, often meager fixed incomes to get along much less enjoy life during their retiring years.

H.R. 2187 proposes a minimum civil service retirement annuity of \$100 a month. Mr. Chairman, the NFFE is aware not only from the thrust of the bills presently under consideration but on the basis of many other indications that you and the members of the Subcommittee have a sympathetic understanding of the need for improvement in the Federal retirement system generally and specifically the special problems faced by present retirees and survivors.

In this connection, the harsh realities of the situation faced by so many of these men and women is graphically underscored by official Civil Service Commission statistics. Contrary to popular conceptions, these figures reveal that of the approximately 900,000 retirees and survivors, about 273,000 receive less than \$100 a month. More than 511,000 receive less than \$200 monthly; and more than two-thirds, some 698,000, receive less than \$300 a month. When one considers these grim figures in relation to the fact that the overwhelming majority of Federal employees have never received salaries large enough to enable them to acquire additional assets . . . and that the cost of living now is at an all-time high and continuing to rise in the face of inadequate price controls—the gravity of the situation becomes starkly apparent and the need for prompt remedial action clearly imperative.

At this point, we wish to put forth some further views on retirement legislation. We have long urged that the accumulative total contribution made by each employee to the Civil Service Retirement Fund be reported to each contributing employee on an annual basis. This would make it possible for an employee to better weigh his options vis-a-vis retirement. Today, as on numerous previous occasions, we urge enactment of legislation exempting annuities under the Civil Service retirement laws from Federal and state income and inheritance taxes. Fairness dictates that Civil Service annuitants receive the same treatment accorded Social Security annuitants who enjoy total exclusion from income tax laws.

A procedure of the Federal system that begs for change is the manner in which an application for retirement is processed. A change is needed whereby an application for retirement is processed. A change is needed whereby an application may be processed 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.

Much has properly been made of the continuing economic crisis affecting taxes and the income of American workers. The Bureau of Labor Statistics has indicated that during the last two years a spectacular rise in the bare subsistence wage needed for the average family of four has occurred. It now requires a minimum income of approximately \$6,800 per year. This spectacular increase should indicate the disastrous effect on retirees with meager fixed annuities. Most of these annuitants are not covered by social security and considering the recent 20 percent increase in social security benefits is it not fair to state that they too are justified in receiving equitable treatment? Even if the poverty level income of just \$3,600 were to be used as a yardstick, it is to be realized that more than 60 percent of present Federal annuitants are receiving incomes below the poverty level. In this the richest country in the world, we obviously are not setting an example of treatment of its own employees by the largest employer in the world, namely, the U.S. Government, as being either fair or equitable. It is to be further realized that a large percentage of the annuitants affected retired when salaries were low and the present computation formulas are not applicable as a matter of justice and equity.

It is to be noted that the Civil Service Commission, which administers our retirement program, has taken persistently negative stands opposing meaningful liberalization of the retirement program. At the same time, CSC literally endorses a "proliferation" of the retirement program by providing for early retirement where it is deemed administratively necessary to reduce the working force. If they are to be consistent, how can they justify their statement that "an annuity based on less than a full career should not be expected to provide more than a

proportionate part of the retirement income"? Most of the retirees affected have served full careers and the legislation proposed merely provides a base for annuities. Management further states that any increase would have an inflationary reaction but we in turn ask how can a minimal and subsistence base in fact create inflation?

During the past four years, we have seen a tendency of the Administration to speedily endorse annuity increases as a bonus where it coincides with a move to reduce manpower ceilings. For example, in 1969 all persons who retired before November 1 received the inducement of a five percent cost of living annuity. A similar goal in conjunction with present Bureau of Management and Budget cuts and massive RIF's is being attempted because of the 4.8 percent June 30 deadline for cost of living annuity increases. The problem at hand, however, is not really a proliferation or additional fringe retirement benefit. H.R. 7805 and H.R. 2187 are in truth a sound and fair means to provide a floor or a base upon which all annuities should be calculated. The base would provide some financial relief and cure some of the inequities in the present civil service retirement law to compensate those retirees who have faithfully devoted their efforts in the Federal service at a time when wages were extremely low.

It is interesting to note further that more than one-third of the approximately 1,000 resolutions at NFFE biennial conventions are devoted to various aspects of the retirement problem. This coincides with the fact that the problem of inadequate income has consistently been raised by such committees as the White House Council on the Aged and the Senate Special Committee on Aging. The NFFE, throughout the campaign for fair CSC annuities finds that the average layman's understanding of the Federal retiree program is not in line with the truth and the harsh realities. This committee is familiar with both the statistics and the human values involved and further documentation is not needed to show that even the present meager gross annuities are reduced by such deductions as health benefit costs, medicare, etc. NFFE has recommended in the past that annuitants receiving less than a subsistence income should be provided with food stamps in order to bring them above the poverty level. But an increase in the annuities is the soundest method.

On behalf of our entire NFFE membership, Mr. Chairman, we extend to you our thanks and appreciation for not only this opportunity to present our testimony but also for the wholehearted interest of those enlightened Congressmen, like yourselves, who realized a need and acted accordingly.

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

Mr. Chairman and members of the subcommittee, the Government Employees Council and its 31 AFL-CIO member unions, which represent in excess of 1.5 million Federal and postal employees, is happy to express its support of HR-2187 and HR-7805, as well as HR-15974. In addition, a large number of retired employees are represented by these organizations.

The purpose of all of these measures is to improve the financial status of annuitants and survivors.

Minimum annuities are established by HR-2187 and HR-15973. The earlier bill fixes the minimum at \$100 monthly. The same minimum applicable to Social Security beneficiaries, \$84.50 per month, would place in effect for civil service annuitants under HR-15973.

Percentage increases, beginning with 13% for those receiving less than \$3600 annually are provided in HR-7805. The amount of increase would be reduced for those with higher pensions, until annuitants with more than \$6000 a year would be entitled to a 5% adjustment.

Flat dollar increases are granted under HR-15974. Those receiving less than \$180 each month would be paid an additional \$20, and would decrease in such a way that those paid \$200 or more would be entitled to no further adjustment.

The interest of members of the House in alleviating the financial hardship experienced by civil service annuitants is evidenced by the more than twenty bills introduced on the subject to date. To the sponsors of these measures, and you, Mr. Waldie, as chairman of the Subcommittee, the Council expresses sincere gratitude for your solicitude for the welfare of former Federal workers and their survivors, who must depend on greatly reduced income to maintain themselves during their retired years.

It is an accepted fact that inadequate income of retired workers is their most serious problem. In 1971 White House Conference on Aging reached this conclusion after reviewing the numerous social and economic disadvantages experienced by retired persons.

When we examine the statistics of the Civil Service Commission on the income levels of groups of annuitants, that conclusion is underscored.

As of June 30, 1971, slightly more than 711,000 former employees were receiving annuities. Of this total, almost 84,000 were entitled to less than \$100 monthly. About 211,500 received under \$200 each month. More than 383,000 were paid less than \$300. These figures are cumulative. This means that slightly less than 30% of the total employe annuitants have monthly benefits below \$200 and in excess of 50% were entitled to less than \$300. Of course, these figures do not include surviving widows or widowers, children, and others, who are entitled to much less than the annuitants.

The July, 1972, edition of the Bureau of Labor Statistics Monthly Labor Review provides a summary of annual budgets for retired couples at three levels of living. The lowest budget is \$3319, the intermediate budget, \$4776, and the highest budget, \$7443. Autumn, 1971, was the period used for computing the figures.

When we relate the BLS findings to the Civil Service Commission data on the number of retired Federal workers entitled to less than \$300 a month or \$3600 annually, the depth of the financial straits encountered by civil service annuitants and their survivors is overwhelming.

The plight of civil service retirees was brought to sharper focus with the recent enactment of legislation providing a 20% increase in Social Security pensions, effective September 1, 1972. Certainly this action by Congress was fully justified. But with the recent application of a cost of living formula to Social Security beneficiaries, equity necessitates improvement in the minimum civil service to maintain some kind of balance between the retirees under the two systems.

In 1965, Congress enacted a formula designed to keep civil service annuities abreast of fluctuations in the cost of living. Some contend that this is sufficient to insure retired Federal employes and survivors that their incomes will be adequate to meet changes in prices for essentials. They fail to recognize that when the cost of living formula is applied to a basic annuity which is totally inadequate, such as \$100 or \$200 per month, the formula can never compensate for that deficiency. The only solution is for Congress to approve legislation guaranteeing minimum pensions, which will enable annuitants to acquire the essentials—food, clothing, shelter, medical care—and a few of the comforts all of us are accustomed to use.

The bills under consideration by the Subcommittee are necessary steps toward that goal.

Pending in the Subcommittee are two bills establishing minimum annuities—HR-2187 and HR-15973. We believe the best features of these measures can be combined by approving the \$100 minimum appearing in HR-2187 and that part of HR-15973, which relates future changes in the Social Security minimum to the civil service program. Thus, while the initial floor for Federal retirees would be \$100 monthly, it would be adjusted above that amount when the Social Security minimum exceeds \$100.

The remaining bills differ somewhat. While HR-7805 provides annuity increases ranging from 13% for those below \$3,600 to 5% for pensions above \$6,000, HR-15974 grants a \$20 increase to annuitants receiving less than \$180, with lesser amounts for those in the \$180 to \$200 bracket. Annuities above \$200 would not be affected.

The Council feels that these measures should be related to produce one bill, which would provide larger adjustments at the lower levels and assure proportionate increases to those in the medium and high level annuity brackets.

Mr. Chairman, the Council welcomes the intense interest you and your Subcommittee have exhibited in extending financial assistance to those whose needs are the most compelling.

Since many months of the second session of this Congress have elapsed, we urge that the Subcommittee expedite favorable action on the pending bills.

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

Mr. Chairman, members of the subcommittee, my name is Claude E. Olmstead. I am President of the National Rural Letter Carriers' Association, an organization representing approximately 62,000 regular, retired and substitute rural letter carriers.

Mr. Chairman, may I express the deep appreciation of our entire membership for the opportunity of presenting this statement on the various bills being considered which would establish minimum Civil Service annuity payments and provide increases in Federal annuities.

We have appeared before numerous hearings in both the House and the Senate and testified in support of liberalizations in the Civil Service Retirement Act to increase basic annuities paid to Federal retirees and their survivors. The problem is self-evident—more than 250,000 retirees and survivors presently receive annuity payments of less than \$100.00 per month; almost 500,000 persons on the annuity rolls receive less than \$200.00 per month; and approximately 700,000 receive less than \$300.00 per month. There are presently approximately 960,000 annuitants and survivor annuitants on the Civil Service retirement rolls. Certainly the fact that approximately 700,000 of them receives less than \$300.00 per month establishes, without the need of statistics, that the annuity income received by the majority is too low to permit those on the rolls to enjoy retirement due to the inability to cope with today's living cost.

We recognize that the Civil Service Retirement System now provides for automatic cost-of-living increases which are related to changes in the Customer Price Index. Under this provision of law, those on the Civil Service retirement rolls have received 5 annuity increases during the last 4 years. These increases have amounted to approximately 26% over this 4-year period. As important as this provision is, it does not correct the basic problem which is the low annuity income provided for the majority of those persons now on the retirement rolls.

The merit of legislation to increase Civil Service retirement annuities and to establish a minimum annuity is now thrust to the forefront in view of the recent 20% increase in Social Security enacted by the Congress. We strongly feel that the Congress should now enact legislation to grant similar benefits for those who have annuity rights based on employment with the Federal Government. Social Security benefits have increased approximately 65% since 1960 and during the same period of time, Civil Service annuities have increased by approximately 42%. This difference would certainly justify action proposed by the bills being considered by the Congress which would ease the financial situation of Federal retirees and their survivors.

H.R. 2187 would provide a guaranteed minimum annuity of \$100.00 per month for retired employees and survivor annuitants.

H.R. 7805 would increase annuities which began before October 20, 1969. This bill would increase annuities by 13% for those retirees who receive less than \$300.00 a month. For those who receive between \$300.00 and \$400.00 per month, the bill would increase annuities by \$468.00 plus 9% of the annual excess over \$3,600.00. For those retirees who receive between \$400.00 and \$500.00 per month, the bill would increase annuities by \$576.00 plus 7% of the annual excess over \$4,800.00. For those who receive benefits over \$500.00 a month, H.R. 7805 would increase annuities by \$660.00 plus 5% of the annual excess over \$6,000.00.

H.R. 15973 would provide a monthly annuity for all retirees and survivors of \$84.50 per month, the same income floor which has recently been enacted for Social Security beneficiaries.

H.R. 15974 would provide a \$20.00 per month increase to most annuitants who presently receive less than \$200.00 per month.

Each of these bills under consideration have merit. The purpose of each is to provide an increase in Civil Service retirement annuities and upgrade survivor benefits.

Mr. Chairman, Members of the Subcommittee, it appears quite unnecessary to burden this hearing record with either additional statistics or a recount of the financial plight presently existing for large numbers of those on the annuity rolls. The situation is obvious and it is because of this that these bills have been introduced and are presently being accorded hearings by this Subcommittee.

Mr. Chairman, we do appreciate the fact that you have introduced H.R. 7805, H.R. 15973 and H.R. 15974; and we also express our appreciation to the seven other Members of the House who co-sponsored H.R. 7805 with you.

We trust that these hearings may adequately disclose the great need to improve annuities under the Civil Service Retirement Act. We trust that the Committee may, after these hearings have been completed, draft a bill which will incorporate various provisions of the bills under consideration and provide an adequate minimum annuity and an equitable graduated scale of increases to provide the improvements needed to upgrade the basic annuities provided for those currently on the annuity rolls.

Mr. Chairman, Members of the Subcommittee, this Association wholeheartedly supports your efforts in attempting to draft this important piece of legislation. For many on the retirement rolls it is a true, emergent need. We trust that the Subcommittee may see fit to speedily act and approve a bill to alleviate the financial plight of these persons who have served our Government by providing a substantial annuity increase and also establishing a minimum annuity.

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STATEMENT BY RAYMOND D. VANDERHORST, LEGISLATIVE CHAIRMAN OF THE NATIONAL ASSOCIATION OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE COUNTY EMPLOYEES (NASCOE)

Mr. Chairman and distinguished members of this committee, I am Raymond D. Vanderhorst, legislative chairman for the National Association of ASCS County Office Employees, better known as NASCOE. We certainly appreciate this opportunity to appear before you today in support of increased annuities for Federal employees.

NASCOE is a voluntary organization of county office employees who carry out various Federal farm programs, assigned to them by the Congress and the Secretary of Agriculture. The headquarters for ASCS is in the U.S. Department of Agriculture here in Washington, D.C. There are also State and county ASCS offices in each State that administer only these Federal farm programs.

There are approximately 2,900 county ASCS offices in the United States employing in excess of 14,000 employees, of which 98% belong to NASCOE. So you can see why we are proud of our membership and organization.

While county ASCS employees are technically employed by the county ASC committees, all of our functions are Federal. The Congress in its wisdom, put us under the Civil Service Retirement Act, the Federal Employees Group Life Insurance Act, and the Federal Employees Health Benefits Act, effective July 10, 1960. For this we are eternally grateful.

NASCOE wishes to support H.R. 7805 which will serve to give equitable treatment to retired Federal employees, who in most cases have given long and dedicated service to their Government.

In the light of the 20 percent increase in social security benefits which recently became law it seems only right and proper that this bill should be passed. Many Federal retirees are living below the poverty level due to low salaries during their working career resulting in a substandard annuity. For this reason we support a \$100 minimum monthly annuity when the annuitant does not have other adequate income from other sources.

Mr. Chairman, again let me say that we appreciate the opportunity to appear before this distinguished committee and present this testimony and wish to commend you for your efforts on behalf of all Federal employees and more specifically Federal retirees in this case.

Thank you very much for your consideration.

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STATEMENT OF NORMAN ORENSTEIN, ASSISTANT DIRECTOR, NATIONAL POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS AND GROUP LEADERS DIVISION OF LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO

Mr. Chairman and members of the subcommittee, for the record, I am Norman Orenstein, Assistant Director of the National Post Office Mail Handlers Division of Laborers' International Union of North America, AFL-CIO. I am very pleased to present to the Subcommittee our written statement concerning H.R. 7805, H.R. 15973 and H.R. 15974, amending the retirement act.

On behalf of more than 50,000 postal employees for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service, we wholeheartedly endorse the principles and proposals as prescribed in the aforementioned legislation.

As a postal union representing workers who have a considerable stake in the Retirement System we are concerned with the need of many improvements in the system, and we know that members of this Committee share our views.

A number of our people receive monthly benefits below \$200. More than 50% of all eligible survivors receive less than \$100 a month.

It is a crime that many of our people with so many years of government service in this day and age have to live on such a poverty level.

Our understanding is that legislation pending before this Committee will immediately provide an increase from the present minimum annuity to the level of benefits recently approved for Social Security recipients. It will also provide for future increases in the minimum if the Congress and the President approve increases for minimum level for Social Security.

We certainly appreciate your interest as a member of Congress in seeking a quick solution to inequities faced by our annuitants for such a long time.

We also express our thanks for your scheduling these hearings and providing us with an opportunity to have our opinions expressed on behalf of the Mail Handlers.

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EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE OF MANAGEMENT AND BUDGET,  
*Washington, D.C., January 21, 1972.*

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. 2187, "To amend title 5, United States Code, to provide a minimum civil service retirement annuity of \$100 a month, and for other purposes."

In its report on this bill and on H.R. 7805, an annuity increase bill, the Civil Service Commission states its reasons for opposing enactment of either of the bills.

We concur in the views expressed by the Civil Service Commission and, accordingly, strongly recommend against enactment of H.R. 2187 and H.R. 7805.

Sincerely,

WILFRED H. ROMMEL,  
*Assistant Director for Legislative Reference.*







