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94-21 RETIREMENT AFTER THIRTY YEARS OF SERVICE

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DOCUMENTS

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HEARINGS

THE KANSAS UNIVERSITY

BEFORE THE

SUBCOMMITTEE ON

RETIREMENT AND EMPLOYEE BENEFITS

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 5397

A BILL TO AMEND CHAPTER 83 OF TITLE 5, UNITED STATES
CODE, TO AUTHORIZE THE RETIREMENT OF EMPLOYEES
AFTER THIRTY YEARS OF SERVICE

MAY 6, 7, AND 8, 1975

Serial No. 94-21

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H. R. 5397

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1975

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

A BILL

To amend chapter 83 of title 5, United States Code, to authorize the retirement of employees after thirty years of service.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That (a) section 8336(a) of title 5, United States Code, is amended by inserting "(1)" immediately before "An employee", and by adding at the end thereof the following new paragraph:

"(2) An employee who is separated from the service after completing thirty years of service is entitled to an annuity. Notwithstanding the first sentence of section 8332 (c) of this title, for the purpose of this paragraph, an employee may be allowed credit only for the greater of—

"(A) four years of military service; or

"(B) all periods of military service performed by the employee during a war declared by Congress."

(b) The first sentence of section 8339(h) of title 5, United States Code, is amended by striking out "section 8336(d)" and inserting in lieu thereof "subsection (a) (2) or (d) of section 8336".

RETIREMENT AFTER THIRTY YEARS OF SERVICE

TUESDAY, MAY 6, 1975

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

The subcommittee met at 9 a.m., in room 311, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee) presiding.

Mr. WHITE. The subcommittee will come to order.

This subcommittee has convened this morning to begin hearings and deliberations on H.R. 5397, introduced by myself. The thrust of this bill is to encourage young people to join the Federal Government and stay with it until retirement. Second, it should have the effect of materially helping to improve Government efficiency and operations by stimulating retirements and moving younger employees with fresher ideas and enthusiasm into the vacated positions. Finally, because retirements cause a chain reaction this bill, H.R. 5397, should ultimately have the effect of helping to curb this Nation's high unemployment rate, by opening up more jobs at the lower grades.

Although I note that this bill has a cost factor tagged to it, an estimated \$3 billion over a 30-year period, in the end a great portion of that cost may be offset against higher productivity and greater efficiency.

Further hearings are scheduled on this bill on May 7 and 8 in this room to begin at 9 a.m.

To begin our hearings this morning I'd like to welcome Mr. Thomas Tinsley of the Civil Service Commission, who is Director of the Bureau of Retirement, Insurance, and Occupational Health.

Good morning, Mr. Tinsley.

Mr. TINSLEY. Thank you, Mr. Chairman.

Mr. WHITE. I understand you have a report and not a prepared statement, sir.

Mr. TINSLEY. That is correct, Mr. Chairman.

Mr. WHITE. All right, sir. Fine.

STATEMENT OF THOMAS A. TINSLEY, DIRECTOR, BUREAU OF RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH, U.S. CIVIL SERVICE COMMISSION

Mr. TINSLEY. A report was submitted to the full committee of which the members of this subcommittee have received copies which expresses the position of the administration and the Commission and, with your permission, Mr. Chairman, I would suggest that it be placed in the record.

Mr. WHITE. Without objection.
 [The report referred to along with an Office of Management and Budget report follows:]

U.S. CIVIL SERVICE COMMISSION,
 Washington, D.C., May 2, 1975.

HON. DAVID N. HENDERSON,
 Chairman, Committee on Post Office and Civil Service, House of Representatives,
 Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the Commission's views on H.R. 5397, a bill "To amend chapter 83 of title 5, United States Code, to authorize the retirement of employees after thirty years of service."

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

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

Additionally, for purposes of the 30-year, Service-only, retirement test, H.R. 5397 would limit credit for military service to the greater of (1) four years of military service or (2) all periods of military service performed by the employee during a war declared by Congress. Since honorable active military service has been fully creditable since the Civil Service Retirement law was first enacted in 1920, the proposed limitation would be a deliberalization of the law in this respect. Furthermore, imposing a limitation which applies only in certain instances would be difficult to administer, and would discriminate against those individuals with more than 4 years of military service but less than a full military career.

Enactment of H.R. 5397 would increase the unfunded liability of the Civil Service Retirement System by an estimated \$3,382.8 million, which would have to be amortized by 30 equal annual payments of \$209.6 million, and would increase the normal cost of the system by .41%. Added budget outlays over the next 5 years would total \$670 million.

Finally, we direct the Committee's attention to the President's policy urging that no new spending initiatives be enacted this year which would require increased Federal spending over the amounts recommended in the budget. Moreover, it is the Administration's position that no further liberalizations in the civil service retirement system should be considered until the completion of the review of total compensation of Federal employees undertaken by the Executive branch.

For these reasons, the Commission is strongly opposed to enactment of H.R. 5397.

The Office of Management and Budget advises that there is no objection to the submission of this report, and that enactment of H.R. 5397 would not be in accord with the program of the President.

By direction of the Commission:

Sincerely yours,

ROBERT E. HAMPTON, *Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., May 1, 1975.

HON. DAVID N. HENDERSON,
Chairman, Committee on Post Office and Civil Service, House of Representatives,
Cannon House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to the Committee's request for the views of this Office on H.R. 5397, "To amend chapter 83 of title 5, United States Code, to authorize the retirement of employees after thirty years of service."

The purpose of this bill is to allow employees to retire after 30 years of service, subject to reduction if under age 55 and to restrictions on military service credit.

In its report the Civil Service Commission states a number of reasons for recommending against enactment of the bill. As the Committee is aware, the President has urged against enactment this year of new spending initiatives beyond the amounts proposed in the FY 1976 budget. In addition, we believe that any consideration of liberalized retirement benefits for Federal employees should await the results of the pending Executive branch review of total compensation for Federal employees.

Accordingly, for the reasons stated above and in the report of the Civil Service Commission, we strongly recommend against favorable consideration of this bill. Enactment of H.R. 5397 would not be in accord with the program of the President.

Sincerely,

JAMES M. FREY,
Assistant Director for Legislative Reference.

MR. TINSLEY. I would just like to underscore some of the major points made in the report which I think are of considerable significance in terms of the consideration of this bill.

One, I would like to call attention of the committee to the cost of the bill. This bill, if enacted, would increase the unfunded liability of the retirement system by an estimated \$3.4 billion, which would have to be amortized by 30 equal annual appropriations of \$209.6 million each, and it would increase the normal cost of the system by .4 percent. The added budget outlays which would be the payments out of the retirement fund during the next 5 years would total \$670 million. Under the circumstances, and again, as I have done in the past, I feel I must call to the committee's attention the President's policy urging that no new spending initiatives be enacted this year which would require increased Federal spending over the amounts recommended in his budget. It is his and the administration's position that no further liberalization in the civil service retirement system should be considered until the completion of the review of total compensation of Federal employees is completed by the executive branch.

This study by a blue ribbon panel is currently underway. I'm not certain as to the exact date that this study will be completed and reports made to both the President and the Congress.

I would also like to call to the committee's attention that the Office of Management and Budget has indicated that enactment of this bill would not be in accord with the program of the President.

With that, just basically, the purposes of the bill I believe the chairman has eloquently and adequately stated, and our report covers those matters.

With that, Mr. Chairman, I will conclude my underscoring and would be pleased to answer any questions the members of the committee may have.

Mr. WHITE. Thank you, Mr. Tinsley. How long has this blue ribbon panel been in operation that you spoke of?

Mr. TINSLEY. The blue ribbon panel, Mr. Chairman, was just recently set up. It was set up at the direction of the President. You will find references to it in the budget document. It was initially conveyed to the Commission I believe in December when we received our policy guidance—Presidential policy guidance from the White House through the Office of Management and Budget.

The purpose of the blue ribbon panel is to take a look, a very serious look, at the various benefits that constitute the pay package of Federal employees in toto rather than looking at them piecemeal. It will cover the value of all such items not just the pay but the value of the other fringe benefits and look at them in terms of total costs and then presumably compare them with private industry and come up with whatever recommendations are called for.

Mr. WHITE. What does this panel consist of, what type of membership?

Mr. TINSLEY. I'm not at all certain. The panel does not come under my jurisdiction, Mr. Chairman. It is being staffed by the Bureau of Policies and Standards in the Civil Service Commission. We do have some input to the staff of that bureau and at the moment I do not have, but I would be glad to obtain and furnish for the record the information on membership.

Mr. WHITE. That would be very useful, Mr. Tinsley, to provide for the record, but also I'd like to ask this: Has the membership been in-house, strictly within the Government, or drawing from outside sources?

Mr. TINSLEY. I believe some of the members will be from the private sector and some represent the public sector and I believe the unions are represented.

Mr. WHITE. Mr. Tinsley, what's the average age of people entering Government service now?

Mr. TINSLEY. The average age right now, I believe is 25.

Mr. WHITE. And so if you added 30 years, according to this bill, then the average age of retirement would be 55?

Mr. TINSLEY. That's correct, Mr. Chairman.

Mr. WHITE. Would you feel that that would be advantageous to this service or do you feel that would be disadvantageous to this service?

Mr. TINSLEY. The 55 age limit? We now have the 55 with 30, Mr. Chairman, as the earliest optional retirement other than a situation where you have disability or an involuntary separation.

Mr. WHITE. Now how many people would this bill affect then actually?

Mr. TINSLEY. The bill at the present time? The total number of Federal employees who are eligible to retire immediately is approximately 240,000. If this bill were enacted, there would be immediately eligible 104,500 more employees.

Mr. WHITE. If they chose?

Mr. TINSLEY. Yes. Those would be the ones that would be eligible.

Mr. WHITE. Now what is the experience of the Civil Service Commission as to those who are eligible to retire at, say, age 55, and do elect to retire?

Mr. TINSLEY. About 25 percent of them go out immediately. We would estimate here that probably between 20,000 and 25,000 would immediately retire.

Mr. WHITE. At what pay rates do you think those would be, or do you think they would be spread?

Mr. TINSLEY. Those would probably be at a little higher pay rate than what the average in the system would be now. It probably would result in annuities—and here reductions play an important factor—annuities running between \$750 and \$800 a month.

Mr. WHITE. I see. And you estimate the \$3.4 billion affectation over a 30-year period, am I correct?

Mr. TINSLEY. That's the unfunded liability that's created in the system and under the existing financing provisions of the law that unfunded liability is amortized over a 30-year period. The principal plus the interest would result in the 30-year payments that I mentioned of \$209.6 million, I believe.

Mr. WHITE. My 5 minutes are up. I'm confining myself to 5 minutes, also.

Mr. Daniels?

Mr. DANIELS. If the average age of a person entering service is 25 and if he were to serve 30 years, he would reach the age of 55. We presently, as you have already indicated, have a law on the books that a person may voluntarily retire after 30 years of service at age 55. I am surprised at your figure, though, that there still would be 104,500 people eligible to retire.

Mr. TINSLEY. The age 25, Mr. Daniels, may be a little misleading. I do not have with me this morning the age distribution and service of the Federal work force. However, many of those entering Federal service and many of those now in Federal service would have military service that would be creditable in addition to their regular civil service. At the moment, we are in a situation where the World War II service is very significant in terms of both retirement system and other systems of the Government. The peak in retirements and the increases over the last few years, and it will continue for 2 more years, are largely a result of two things: (1) World War II service, and the large increase in Federal employment immediately following World War II. As a result, for the next few years, we will have a great many people eligible for retirement.

After a few more years, 3 or 4, that will begin to drop again in terms of the number of people eligible for retirement.

Mr. DANIELS. Well, at the present time how many people who have regular 30 years of service and reach the age of 55 are taking advantage of their right to a voluntarily retirement?

Mr. TINSLEY. In 1974 there were 24,397 that retired with 30 years of service at age 55.

Mr. DANIELS. Well, how many were eligible?

Mr. TINSLEY. About 100,000.

Mr. DANIELS. So therefore, it was your statement that of those who would be eligible to take advantage of this law after 30 years of service, that only approximately 20 to 25 percent would take advantage?

Mr. TINSLEY. 25 percent would retire in the first year they were eligible.

Mr. DANIELS. Now I see a statement here from Mr. Hampton, Chairman of the Civil Service Commission, in which he says that the administration opposes any liberalization of the retirement system until they review the compensation of Federal employees by the panel appointed by the executive branch. Do you know whether or not that review is underway?

Mr. TINSLEY. The review is underway. That's one thing that I mentioned that's being staffed by the Bureau of Policies and Standards within the Commission. It also has representatives of the Office of Management and Budget which has a great interest in this study. I will be glad to obtain and submit to the committee the material which describes the study, the plan for the study, the dates that it will be completed and when it's anticipated that reports will be submitted to both the President and the Congress.

Mr. DANIELS. I was going to ask you when might we expect a report from this commission?

Mr. TINSLEY. I'm not certain at the moment, but I will be glad to check and furnish it to the committee for the record as soon as I get back to the office.

Mr. DANIELS. Can we expect it in this session of Congress?

Mr. TINSLEY. I believe so. I do not believe they intend this to be long range because there's a great deal of interest in doing something in the pay area.

Mr. DANIELS. What would be the normal cost of this bill if it were enacted?

Mr. TINSLEY. This would increase the normal cost by 0.41 percent and the current normal cost is, I believe, 13.23, which means that this would move it up to 13.64, which is still under the 14 percent.

Mr. DANIELS. Thank you.

Mr. WHITE. Thank you, Mr. Daniels.

Mr. Taylor?

Mr. TAYLOR. Thank you very much, Mr. Chairman.

I apologize for being late.

As I understand, Mr. Tinsley, the purpose of this bill, H.R. 5397, is that it would provide a retirement with 30 years of service regardless of age. Is that correct?

Mr. TINSLEY. That's what this bill would do. It would place for the first time in the law, other than in the involuntary separation situation, a service-only concept.

Mr. TAYLOR. I see. In other words, a person who went to work at 21 years of age could theoretically retire at 51 years of age with full retirement?

Mr. TINSLEY. My interpretation of the bill, as written, is that the individual would be able to retire at age 51 with 30 years of service. However, in view of the fact that he was under 55, there would be a reduction in his annuity of 8 percent, 2 percent a year for each year under 55.

Mr. TAYLOR. Am I correct then, that under the present law an employee is able to retire at age 55 with 30 years of service at the present time with full retirement?

Mr. TINSLEY. You're correct. He can retire at 55 with full retirement with 30 years service.

Mr. TAYLOR. Thank you. What, in your opinion—and I'm sure you covered this—actuarially, what would this mean to our trust fund if we enacted this law in terms of the effect that it would have on our unfunded liability?

Mr. TINSLEY. It would add \$3.38 billion to the already existing unfunded liability.

Mr. TAYLOR. Over a 30-year period?

Mr. TINSLEY. Well, it would be financed over a 30-year period.

Mr. TAYLOR. Am I correct that the annual payment would be \$209 million?

Mr. TINSLEY. That would be the annual appropriation payment to the fund by the Congress each year for 30 years.

Mr. TAYLOR. Mr. Tinsley, how does our Federal retirement system compare with that, basically speaking, of private industry at the present time? Is private industry as liberal as we are now with 30 years of service and age 55?

Mr. TINSLEY. There are very few in the private sector that have a straight 30-year retirement. I believe General Motors does and I believe United States Steel are probably the two largest employers with a straight 30-year retirement situation.

However, I believe in each of those instances there are actuarial reductions in the amount that the individual can receive, which in effect doesn't give him really full retirement, but it would be a rather marked reduction that he would have to take if he went out prior to—in fact, I think it's even higher than our 55, where we impose the reduction—the committee does have available our latest comparison between our benefit systems and those in the private sector, and I believe in the retirement section of this you will find the provisions that are applicable to both United States Steel and to the General Motors system.

But, by and large, the Federal retirement system today is probably more liberal in terms of retirement eligibility and benefit payments than most of those in the private sector with the possible exception of the State of New York, and the State of New York is in real financial difficulty.

Mr. TAYLOR. Am I correct, we do have our automatic cost-of-living increases, too, for the Federal retirees? Does the private sector by and large have this same provision?

Mr. TINSLEY. Very few in the private sector have it. It has been added in recent years to a number in the private sector, but in most instances in the private sector where such a provision exists there's usually some limitation on it. In other words, the ones I'm most familiar with will indicate there will be a cost-of-living increase, but there will be not more than one a year. In other situations they will say there will be a cost-of-living increase whenever the cost of living goes up a certain amount, but no cost-of-living increase will exceed a certain specified amount.

Mr. TAYLOR. There are cost-of-living increases in the civil service retirees—cost-of-living increases which are computed quarterly—is that right? Or is it semi—

Mr. TINSLEY. No. The way our cost-of-living increase in the civil service retirement law is is that when the cost of living from the base month increases by 3 percent and remains there for 3 consecutive months, all individuals on the retirement roll receive a cost-of-living increase equivalent to the percentage rise plus 1 percent.

Mr. TAYLOR. What happens if the cost of living goes down, if that should ever happen?

Mr. TINSLEY. There is no provision in the current law to require reduction. However, since the cost-of-living increase was put in the current law, any question of reduction would have been rather academic because the cost of living has not gone down.

Mr. TAYLOR. But in the event the cost of living did go down, there's no provision for a reduction?

Mr. TINSLEY. No; none at all.

Mr. TAYLOR. Thank you, Mr. Chairman.

Mr. WHITE. Thank you, Mr. Taylor.

I have just a few more questions if I may. You mentioned that there would probably be approximately 25,000 new retirees if this bill should go into effect immediately. How many do you think there would be average over each year thereafter?

Mr. TINSLEY. The biggest group of retirees normally retire within the first year of eligibility. That would be the 25 percent of this group. After that it would be spaced probably depending on what current conditions were. With the reduction after that first 25 percent, probably in the next year it would run between 10 and 15 percent and then pick up again if they intended to retire.

Mr. WHITE. This may be purely academic, but that would immediately open up about 25,000 jobs.

Mr. TINSLEY. That is correct.

Mr. WHITE. Congress has just considered a bill that would provide 500,000 public service jobs.

Mr. TINSLEY. Theoretically, it would open up 25,000 jobs.

Mr. WHITE. The military has a retirement system whereby a man at any age can retire at 20 years; is this correct?

Mr. TINSLEY. That's correct. The military operates strictly on a years-of-service concept—20 and 30.

Mr. WHITE. And they have 20 and 30?

Mr. TINSLEY. Yes.

Mr. WHITE. And hazardous duties can retire in 20 years?

Mr. TINSLEY. That's correct; 20, and 50 years of age.

Mr. WHITE. What is the Post Office retirement system?

Mr. TINSLEY. The Post Office retirement system is exactly the same as the civil service. In fact, the postal employees at the time they enacted the Postal Reorganization Act, they specifically provided in that law that the postal workers remain in the civil service retirement system.

Mr. WHITE. To bring the civil service retirement system in line with the military and with the hazardous duty occupation somewhat, there should be some fixed time, don't you think for retirement?

Mr. TINSLEY. If that was the objective, to bring them in line, well, yes, you would have to—

Mr. WHITE. Mr. Tinsley, if you were an independent observer and there were no concern about the costs entailed, the unfunded liability

of \$3.5 billion over a 30-year period that would have to be funded by about \$200-some million each year by the Treasury, how would you regard this bill?

Mr. TINSLEY. If I was not concerned about the cost?

Mr. WHITE. Yes, in terms of efficiency of the Government and morale and so on?

Mr. TINSLEY. Well, certainly looking at it from an employee's standpoint, any feature of the law that gives you an option that would make you a little more independent would be desirable. Certainly this 30-year service figure from that standpoint would be desirable.

Mr. WHITE. Would it give you younger governmental servants?

Mr. TINSLEY. I believe, to some extent, it would give you younger Government servants, but I believe, too, it would have this undesirable feature—and certainly if this were the case today our problems at the executive level would be even more acute—I believe what this would do is the individual who is real good, a top-flight individual, who had marketable skills on the outside and these would be marketable in most instances regardless of what the state of the economy was on the outside, I think that at the end of 30 years, particularly if they were in their 40's where they would be very marketable, I think you would find those individuals leaving government as soon as they were eligible. I think you would find them going into the private sector and it would be the private sector that would reap the benefit as well as the individual.

Mr. WHITE. Well, let's look at that, though. Would there be very many in their late 40's if they get their education and probably they won't graduate until they are 21 or 22—if they get a graduate degree, they won't be any younger than 24 or 25 on entering Federal service.

Mr. TINSLEY. That could be true.

Mr. WHITE. Industry is normally going to be looking for a man who's had formal training, don't you think?

Mr. TINSLEY. Yes, or considerable experience at various levels.

Mr. WHITE. So when you get right down to it, that's not going to affect that class of person that much.

Would it also induce some talented people to join the Government where they can see a plan down the way to get their training in government, and after a number of years to enter into some industrial field rather than retire and be put out to pasture?

Mr. TINSLEY. Yes, I believe it would have that advantage, too.

Mr. WHITE. So that would be a plus?

Mr. TINSLEY. Yes.

Mr. WHITE. All right. I think, Mr. Tinsley, that's all I have at the present time.

By the way, what's the railroad retirement program?

Mr. TINSLEY. The railroad retirement program, they recently within the past 3 years completed a rather in-depth study of it. The railroad retirement program was in deep trouble financially. They were rapidly reaching the point where they were going to be unable, without the support of other funds, to meet their retirement obligation. The railroad retirement system was set up somewhat similar to the Federal system but then they have a tie-in with social security. It was the tie in with social security that was altered as a result of the recent

in-depth study, and they are now attempting to restructure that in terms of the future.

Mr. WHITE. At what age can a railroad man retire and what could he have retired at prior to that last bill?

Mr. TINSLEY. I would have to double check that. At the moment, Mr. White, my memory fails me.

Mr. WHITE. For the record, one last question, if you will, Mr. Tinsley. There is another bill that has pretty widespread support called the combined 80. That means that your age plus a certain number of years, if you reach 80 in toto, that a figure of a total of 80, that that person can retire at that age.

How do you compare that plan with the plan that's before you today?

Mr. TINSLEY. If I were thinking in terms of costs, the plan before us today costs less than half of what the rule of 80 does. That rule of 80 has a way of increasing dramatically at the present time the number of people who would be eligible for retirement. The rule of 80 at the moment would produce about \$10 billion in unfunded liability.

Mr. WHITE. Is there merit to considering the retirement in terms of years of service as compared to happenstance age plus years?

Mr. TINSLEY. If you're going to use the rule of thumb of total of age and years of service you have to be very careful. There is one system in the private sector that I know has such a rule, but I think the total has to be 85, and then there are large reductions depending on those with very few years of service that enter into the system at a rather late period of time—if you wish, Mr. Chairman, I will be glad to identify that particular system for you—but the rule of 85 that they would have would almost tie in with what the current provisions of our retirement law are.

Mr. WHITE. One last question. I'm sorry, but it does suggest itself by the bill. In figuring the number of years, 30 years, for retirement, do you think it's proper or not proper for the civil service employee to include some of his combat duty or his duty during the wartime?

Mr. TINSLEY. I think we feel very strongly that military service should be included in the computation of annuities. The military service certainly is service to the United States and certainly should be considered in toto in any computation of civil service annuities except where other benefits are payable by virtue of that military service.

Mr. WHITE. Now the bill as written says 4 years of military service or all periods of military service performed by an employee during the war declared by Congress. Of course, we haven't had any declared 4-year wars in some time.

Mr. TINSLEY. I think World War II would be the only war in my recollection the Congress officially declared. I do not believe that war was declared in Korea.

Mr. WHITE. You feel that 4 years is an adequate amount of time or do you think it should be longer or shorter?

Mr. TINSLEY. Mr. Chairman, I believe in the report we object to placing any type of limitation on the crediting of military service toward retirement except where it results in a dual benefit. We would believe that if an individual spends 5 years in the military service he should receive 5 years credit under the civil service retirement system. We do not believe that there should be any deliberalization of the manner in which we treat that individual with military service.

Mr. WHITE. Does the man get all his military service presently under the Civil Service Commission if it's not a duty compensation situation?

Mr. TINSLEY. Yes.

Mr. WHITE. In other words, if he serves 19 years in the Army, then he goes in to work for the U.S. Government as a civil service employee, does he get all 19 years?

Mr. TINSLEY. He would get the 19 years credit under the civil service retirement system. However, there was a provision placed in law that was not an amendment to the Civil Service Retirement Act—I believe it was the Armed Services Survivor Benefit Act of 1956—which became effective in January 1, 1957—that law provided that all military service after January 1, 1957, would be creditable for social security purposes and it could not be used for two purposes—in other words, civil service retirement. In those situations, Mr. Chairman, what we do is if he is not immediately eligible for social security benefits, which means he's under 62 years of age, we will give him credit for the military service. We will let those years of service count toward his eligibility for retirement.

However, when he reaches age 62, we back out that service and reduce his annuity because at that point in time he receives social security benefits for those years of service.

Mr. WHITE. Would your agency like to suggest to us the language that we can substitute for the language contained on the second page relating to military service so we will see what you would have in mind, if this bill were passed?

Mr. TINSLEY. All right, Mr. Chairman. I would be glad to.

Mr. WHITE. The way it's written now certainly would not be consonant with what you're suggesting to the committee today and it's something the committee has to consider.

Mr. TINSLEY. That's correct.

Mr. WHITE. Mr. Harris?

Mr. HARRIS. I have no questions.

Mr. WHITE. All right. Mr. Daniels, do you have some more questions?

Mr. DANIELS. Yes. Mr. Tinsley, in the report it was stated that the Government should not grant any inducement to people to retire early. Now I don't see how this bill encouraging people—a substantial number of people to retire early since, one, if he's under 55 years of age he would be required to take a reduced annuity and, on the other hand, the bill here is an encouragement for a young person to join the Federal service and stay with the Government until his retirement age.

Do you care to make any comment about that?

Mr. TINSLEY. I think it certainly would be an inducement for individuals to stay for the 30 years. Right now, I think of all the fringe benefit programs, the one that achieves the objective of holding people in the Federal service to full careers is the retirement law. I think right now, particularly once the individual reaches age 50 with let's say 25 years of service, he's going to really think hard before he leaves Federal service, at least until he's 55 or until he reaches that 30 years where he would be eligible no matter how marketable his skills are outside.

Certainly, if you place a 30-year service requirement with no age, yes, it would have the effect once they reach 25 years of service or even a little less than that—there would be a definite inducement for them to stay that full 30 years. However, I think once they reach that 30 years, as I indicated earlier, if their skills are really marketable or if they had reached the point where they were getting a little stale in the Federal service, I think you will find more of them taking second careers in the private sector.

Mr. DANIELS. Does the Commission have any statistics as to number of persons who withdraw from the service before reaching 30 years of service?

Mr. TINSLEY. I believe I could get them for you, Mr. Daniels. I believe we have them. Most of the people leave Federal service within the first 5 years. That's where the biggest bulk of them would leave. After that, I'm not certain just how the distribution would take place, but I think you'd probably then find another large increase probably at 10 years. I don't think it would be great after their 25 years of service, but I will be glad to check with our office and the actuary and I'm sure we have those statistics and I can furnish them to the committee.

Mr. DANIELS. Thank you.

Mr. WHITE. Mr. Taylor?

Mr. TAYLOR. Just one other question. Did I understand from Mr. Daniels that it was your statement that under 55 they would receive a reduction in pay under this bill?

Mr. DANIELS. Yes, and for 2 percent a year.

Mr. TAYLOR. Under the provisions of this bill?

Mr. DANIELS. For 55 there would be a reduction of 2 percent.

Mr. TAYLOR. I misunderstood. I thought in your previous question you said in 30 years of service they would receive full annuity regardless of age.

Mr. TINSLEY. With that proviso, that if they were under 55 there would be a reduction of 2 percent for each year under. I believe in response to your question I indicated that an individual 51 with 30 years of service, his annuity would be reduced by 8 percent.

Mr. TAYLOR. There would be a reduction if he was under 55?

Mr. TINSLEY. Yes.

Mr. TAYLOR. I appreciate that. I misunderstood.

Mr. Tinsley, there has been, I think, over the past number of years a substantial liberalization of retirement under the civil service system. Has this had a marked effect on the unfunded liability? Would you care to comment on what effect that has had?

Mr. TINSLEY. Actually, since 1969, when the present financing provisions were put in the law, the unfunded liability has increased somewhat because of two things: one, the cost of living increases; and two, that's tied in with the second reason, the manner in which the interest is paid on the unfunded liability prior to 1969, 10, 20 and 30, and this year it will be 50 percent. There's been some continuing unfunded liability there. So the financing has been excellent.

Now the unfunded liability that has been created since 1969 by virtue of any law that liberalized benefits and actually other things that occurred that result in additional unfunded liability, are the annual pay

raises. Those amounts, the current payment by Congress to amortize those over a 30-year period is slightly in excess of a billion dollars a year. Now this would add another \$209 million a year to what Congress has to appropriate.

The interest payments on the unfunded liability at the 50 percent rate this year will amount to about 1.5 billion. That, too, is appropriated by Congress.

Mr. TAYLOR. And our cost of living increases, as I understand it, computed on a monthly basis, goes up 3 percent and remains constant for 3 months and then they get a 3-percent increase plus 1 percent?

Mr. TINSLEY. That's correct.

Mr. TAYLOR. But over the past number of years hasn't this extra 1 percent added substantially to this? I can see the 3 percent, but why the 1 percent? We load it with 1 percent. What's the justification for this extra 1 percent?

Mr. TINSLEY. The justification for the 1 percent was placed in the law to take care of a timelag that exists. The cost of living goes up 3 percent and then you wait 3 months and then there's just about an additional 2 months before you really get your first check. In order to compensate someone for the lag in putting the cost of living into effect and since there was an increase in the cost of living during that period of time, the 1 percent was placed in the law in part to make up for that lag and then the other justification, particularly in the Senate for the 1 percent was that Federal retirees should not only be protected in terms of maintaining the purchasing power of their annuities but also in terms of being able to maintain a standard of living.

In addition to that, I believe the Senate committee also felt that the retiree should benefit to some extent from the productivity gained from the Federal work force and it was for those particular reasons that was given for the rationale for the 1 percent.

In terms of what the 1 percent has done to date, the cost of living feature of the retirement law has produced about slightly more than \$20 billion in unfunded liability since 1969. Of that \$20 billion, about \$3.4 billion is due to the extra 1 percent.

Mr. TAYLOR. That's all, Mr. Chairman.

Mr. WHITE. Thank you very much, Mr. Tinsley, and if you will provide the information that you suggested you can obtain it would be appreciated.

Mr. TINSLEY. Thank you, Mr. Chairman.

Mr. WHITE. At this time our next witness is Mr. Clyde R. Payne, secretary-treasurer, National Association of ASCS County Office Employees, Jasper, Fla.

STATEMENT BY CLYDE R. PAYNE, SECRETARY-TREASURER, NATIONAL ASSOCIATION OF AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE COUNTY OFFICE EMPLOYEES, JASPER, FLA.

Mr. PAYNE. I am Clyde R. Payne, county executive director, Hamilton County ASCS Office, Jasper, Fla., and secretary-treasurer of the National Association of ASCS County Employees.

The National Association of Agricultural Stabilization and Conservation Service Employees—NASCOE—is a voluntary association of county agricultural stabilization and conservation service employees—hereafter referred to as ASCS employees. Approximately 98 percent of the 9,500 ASCS employees are members of NASCOE from practically every county and every State. The sole purpose of this association is to promote the welfare of its members. Each State has a State association of ASCS county employees and is affiliated with NASCOE and has two members on the board of directors. NASCOE has national officers and an executive committee representing five areas of the United States.

They are: President, F. H. Scarborough, Jr., Valdosta, Ga.; vice president, Wayne Taylor, Muskegon, Mich.; secretary-treasurer, Clyde R. Payne, Jasper, Fla.; and past president, Brad Rowland, Anson, Tex.

Area and executive committeemen: Midwest, Warner Walrath, Pringhar, Iowa; Northeast, Elmer Kaegelbein, Grand Island, N.Y.; Northwest, John Van Calcar, McMinnville, Oreg.; Southeast, Neal Phillips, Halifax, N.C.; and Southwest, Glenn Lamirand, Pawnee, Okla.

ASCS employees administer Federal programs assigned to them by the Congress, the Secretary of Agriculture, Executive orders, et cetera. The headquarters for ASCS is in the U.S. Department of Agriculture Building, Washington, D.C. There are also State and county ASCS offices who administer only Federal programs. City, county, or State governments have no connection with the national, State, or county level of ASCS.

ASCS employees on the county level administer directly to the farmers of the United States a great number of complex USDA farm programs, such as the agriculture conservation program, the forestry incentive program, marketing quotas—tobacco, peanuts, and rice—commodity credit loans, cropland adjustment, wool incentive payments, sugar, disaster—cotton, wheat, feed grain—et cetera. These are practically all the action programs of the USDA.

Although county ASCS employees are not civil service employees, the Congress has granted us many of the fringe benefits of civil service employees—and we are grateful—including health benefits, retirement benefits, et cetera.

The primary purpose of this statement is to relate to you a background of our association, which has been done above, and to state we feel legislation as proposed in H.R. 5397 is justified and needed.

H.R. 5397 will provide for persons to be eligible for retirement after 30 years' service without reduction in computed annuity regardless of age. Our association supports this bill as it would permit earlier retirement and, thereby, permit younger employees with fresh ideas, et cetera to enter government service. Presently, there are many employees with 30 years' service who desire to retire, but who cannot because of the age limitation; H.R. 5397 would eliminate this problem. Numerous private industries, as well as the military, presently permit retirement with 30 years' service without penalties, and, therefore, H.R. 5397 would not set a precedent.

Other reasons we support this proposed legislation include the fact management in applicable reductions-in-force could encourage per-

sons with 30 years service to retire, and thereby prohibit the necessity of reductions-in-force of younger employees. Also, after a person has served 30 years, he or she should be given the opportunity, if desired, to retire and enjoy the benefits of his/her years of service to the Government.

Our association urges you to initiate early action on H.R. 5397 as we feel the sooner the enactment the better for all concerned.

Our association appreciates the opportunity of being permitted to submit this statement. We, also, appreciate your past and future consideration in assisting employees under the Civil Service Retirement System, as well as consideration of other benefits for personnel employed by the Federal Government.

I personally thank you for being permitted to present this statement and if you do have any questions I will attempt to answer them if I can. I might add that I'm a farm boy. Our people that work for ASCS are farm oriented. We have no statistics and that type of information, but I will try to answer any questions that you might have.

Mr. WHITE. Mr. Payne, it's been my observation in Washington that those who designate themselves as farm boys are the most clever who come before Congress.

Mr. Daniels?

Mr. DANIELS. I have no questions.

Mr. WHITE. Mr. Taylor?

Mr. TAYLOR. I agree. Beware of those who come without shoes. I'm a farm boy, too.

Mr. PAYNE. I have had shoes about 10 years now.

Mr. TAYLOR. I got a pair and I'm wearing them out from the inside.

You do represent ASCS and I am familiar with your organization in our State, but we call it NASCOE. The people that you represent are the people who work in our county ASCS offices, clerks. Does this include your county office managers?

Mr. PAYNE. Yes, sir. They have changed the name from county office manager to county executive director. I'm not sure why, but it represents the county executive directors and the program assistants who are clerks and assistants.

Mr. TAYLOR. These people are hired, am I correct, by the local county ASCS committee? Is that true?

Mr. PAYNE. The county executive director is hired by the local county committee. The program assistants or clerks are employed by the county executive director with the approval of the county committee.

Mr. TAYLOR. If that's true, then they serve at the pleasure of the county committee?

Mr. PAYNE. Yes, sir.

Mr. TAYLOR. Do they have tenure in the event the county committee changes or do the county executive directors—does he continue on or does he have tenure or is he subject to the will of the county committee?

Mr. PAYNE. He does not have tenure. He works at the pleasure of the county committee and there is a system of separation that they call

separation without prejudice under which you can be relieved of your duties without any reason, just because you're not compatible or your hair is red or you don't have any hair or what have you. They can relieve you of your duties.

Mr. TAYLOR. Well, I now sometimes these situations develop and you know the county committee—I'm familiar with the process by which they are elected at the township level, and at the county level and so on, until they finally wind up with three members on the county committee, and sometimes I know that the contest develops within the county committee because someone doesn't like the executive director and the net result is that they elect a county committee that does discharge the executive director; and my question was—he has no protection under the present law?

Mr. PAYNE. No protection. You're correct.

Mr. TAYLOR. I see. And then the clerks who work under him also serve at the committee's pleasure and so theoretically if he's moved many times the clerk many times are discharged.

Mr. PAYNE. Could be moved—could be removed, we'd say, instead of moved.

Mr. TAYLOR. In the event this doesn't happen and he does stay on, of course, then he is the recipient of the regular civil service retirement fund if he stays in service that long. Is that true?

Mr. PAYNE. This is correct. The Congress enacted a law, I believe, in July of 1960, which placed us under the auspices or the purview of civil service retirement, health benefits, and life insurance.

Mr. TAYLOR. I haven't read your statement yet. What is your proposal?

Mr. PAYNE. The chairman, in his opening the meeting, mentioned the idea of letting younger, fresher people come into the service. We mentioned this. And it isn't a precedent for 30-year retirement because the military and some private industries has it, and I am going to have to admit that we may have misconstrued something that the bill calls for because we were under the interpretation—and again, we are not lawyers or anything—we thought that under the provisions of this bill when you obtained 30 years' service, if you were 50 years old, or any other age, you would retire without reduced annuity. I believe in your discussions previously with the prior witness that maybe this is not correct, that you would take a reduced annuity. This was one of the reasons that we were supporting this bill. We just felt like if you served 30 years you ought to have the option to go out to greener pastures if you so desire.

Mr. TAYLOR. Mr. Payne, I notice on page 3 of your testimony that you state that numerous private industries permit retirement with 30 years of service. Do you have a list of those industries who do that?

Mr. PAYNE. No, I do not. This numerous could be a little misleading. I do not know. In an executive meeting of our people consisting of 12, several of them said this company and this company did it, and this is why we came up with the figure. I do not have a listing of them; no, sir.

Mr. TAYLOR. If they have those, I'd be interested in seeing them. I don't know of any company that does it. There may be some. I certainly don't take exception to it, but I'm familiar with retirement from

several major companies. I have been with Ford Motor Co. and I know they sure don't, and I think they have a pretty—I thought they had a pretty liberal retirement system until I looked at the Federal one and I found out they don't.

Thank you, Mr. Chairman.

Mr. WHITE. Thank you, Mr. Taylor.

Mr. Payne, we are going to resolve this one question. Apparently if you do retire with 30 years of service before you're 55 years of age there would be a reduction, but this would be resolved at the time the bill is presently for markup and we do appreciate your presenting your ideas here. We think that you have captured the purpose of the bill, which is to give a person an opportunity to retire with 30 years of service, which is a plenty long time, and to keep the service of the Government young. Thank you very much.

Mr. PAYNE. Thank you very much.

Mr. WHITE. Gentlemen of the committee, I might want to mention one thing; that I have sent out a letter to the general membership soliciting their ideas on the retirement so if other members of the committee—does anyone have an objection to serving that because I thought we might get their input into this and I included with the letter a summary of the existing law, as it relates to Federal employees and so on.

Are there any other matters to come before the committee at this time? We have a meeting tomorrow on this same subject.

There being no further business, the committee is adjourned until tomorrow.

[Whereupon, at 9:50 a.m., the hearing was adjourned, to be reconvened at 9 a.m., Wednesday, May 7, 1975.]

RETIREMENT AFTER THIRTY YEARS OF SERVICE

WEDNESDAY, MAY 7, 1975

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

The subcommittee was reconvened, pursuant to adjournment, at 9 a.m., in room 311, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee) presiding.

Mr. WHITE. The subcommittee will come to order.

The subcommittee convened this morning to continue its hearings and deliberations on H.R. 5397, a bill which would encourage young people to join the Federal Government at a young age, and after 30 years of service, give them the opportunity, if they so desire, to retire and enjoy the benefits of his or her years of service to the Government.

This bill, H.R. 5397 does not in any way change the present law as it relates to annuities and reduced annuities for people retiring under the age of 55.

We shall begin this morning's hearing by first hearing from Mr. Clyde M. Webber, president, American Federation of Government Employees.

Mr. Webber, we have a policy now of asking our witnesses to confine themselves to 10 minutes, either a summary or by reading, as they desire, and then having the committee questions thereafter. So, with those provisions, if you would proceed, sir.

STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY CARL SADLER, LEGISLATIVE DIRECTOR

Mr. WEBBER. Fine. It is a very short statement this morning, and I will go ahead and read it.

On my right here is Carl Sadler, who I believe all of you know. He is our legislative director.

The American Federation of Government Employees, representing over 675,000 Federal employees in exclusive recognition units who perform every kind of service for the Federal Government, has always had a deep and continuing interest in legislation to provide equitable retirement programs to all Federal employees. We feel that dedicated, career employees are due no less than a just retirement system which is periodically adjusted to meet the pressures and changing needs of the times.

In our judgment, the very concept of the Federal service involves in itself elements of equitable retirement. We have been gratified that, in our American democratic system, our country has had the good fortune that national concepts have grown as to what constitutes Federal service, and what constitutes equity.

We have found it noteworthy that an awareness of these needs has existed most of all in the legislative bodies of our country, especially the Senate and the House of Representatives, which have been especially responsive to new ideas and to changes in our national life. For this reason, we are grateful to you, Chairman White, for introducing H.R. 5397 and holding these hearings on the important issue of retirement of Federal employees after 30 years of service.

As you know, the present law provides for voluntary retirement at age 60 with 20 years' service or at age 55 with 30 years' service. Annuities are pursuant in the case of involuntary retirement after 25 years' service, regardless of age, or after age 50 with 20 years' service. The annuity is reduced by 2 percent for each year the employee is under age 55.

Our national convention has mandated us to seek retirement at any age after 30 years of service without reductions in annuities. The achievement of this goal has a top priority in our legislative program. We also feel that persons who are separated in reduction-in-force situations who have had 25 years of service or who have had 20 years of service and have attained 50 years of age should not be penalized by a reduction in their annuities. For this reason, we would like to propose that persons separated under these conditions be entitled to a full annuity.

Moreover, we would like to see a provision that any person separated in a RIF situation who has had 20 years of service but has not yet attained 50 years of age be entitled to a reduced annuity.

EQUITY IN THE CURRENT ECONOMIC CRISIS

The serious economic problems facing the country have reemphasized the need for fiscal equities and have focused attention on the use of retirement programs in equitably distributing jobs between the different ages. Consequently, more than ever, we feel that it is in the interests of all present Federal employees, and potential employees emerging from our schools and colleges, that they enter a civil service having a retirement program based on equitable accounting for years of service. For this reason, we welcome the fact that H.R. 5397 would change section 8336, title 5, United States Code, to entitle all employees with 30 years of service to an annuity regardless of age.

We believe that it would serve the same equitable purpose to have a provision for retirement under a combined aged-service formula of 80 years. We strongly support such a plan.

Equity means justice also to our veterans. It has long been a principle with the American Federation of Government Employees that military service is Federal service in its fullest sense. Members of the military service are exposed to extraordinary hazards in wartime. In peacetime they are subjected to restrictions and disciplines not required of civilians. The rationale for imposing these conditions is the overriding security of the Nation as a whole.

For this reason, our organization is not favorable to any limitation being placed on computing military service in the U.S. military forces.

We believe that the present computation of military service is equitable. As you know, all military personnel are now covered by the social security retirement system, to which the military departments make contributions on their behalf. However, the social security retirement benefits commence only at age 65, or alternatively at age 62 with reduced benefits.

Under many private plans, and under the Federal civil service and foreign service retirement plans, retirement can take place many years before age 65. Consequently, provisions has to be made for computing military service to provide an equitable solution for the interim period of earlier entitlement under civil or foreign service and later entitlement to benefits under social security.

Such an equitable situation now exists. Under the present program, the Civil Service Retirement Bureau computes all creditable military service for separations which occur prior to age 65, or alternatively 62. These are counted as any other Federal service. When the retired Federal employee actually reaches age 65, or alternatively 62, the years for which contributions have been made by the military departments to social security system are deleted and the civil service retirement annuity is reduced proportionately. Thereafter, the veteran receives payments directly and only from the social security system for all military service for which contributions have been made.

We believe that this system is equitable and is based on principles accepted by Congress and the American people. We should like to see this arrangement continue.

It is our understanding that there is a good prospect that shortly after these hearings, your subcommittee will proceed to markup H.R. 5397 for consideration by the full committee. In the hope that it might expedite your consideration of our proposals, we should like to submit a draft bill which we have prepared for consideration by your subcommittee. It incorporates the main features of the suggestions which we have proposed. With your permission, I should like to submit that draft for the record.

MR. WHITE. Without objection, the draft will be included in the record.

MR. WEBBER. Thank you.

[The draft bill follows:]

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 8336 of title 5, United States Code, is amended—

(1) By amending subsection (a) to read as follows:

“(a) An employee who is separated from the service after completing 30 years of service is entitled to an annuity.”

(2) By amending subsection (b) to read as follows:

“(b) An employee who is separated from the service after attaining an age plus service aggregating at least 80 years is entitled to an annuity.”

(3) By amending the second sentence of subsection (g) to read as follows:

“A Member who is separated from the service after 30 years of civilian service or after attaining an age plus service aggregating at least 80 years is entitled to an annuity.”

(4) By redesignating the last sentence of subsection (g) as subsection (h).
 (5) By deleting the word "reduced" before the word "annuity" in subsection (d) and redesignating subsection (h).

(6) By adding the following sentence to subsection (d): "An employee with 20 years of service who has not yet attained 50 years of age when separated under the terms of this subparagraph is entitled to a reduced annuity."

(7) By redesignating the present subsection (h) as subsection (i).

SEC. 2. Section 8339(h) of title 5, United States Code is amended by deleting the first sentence and substituting for it the following:

"(h) The annuity computed under subsections (a), (b), and (f) of this section for an employee retiring under subsection 8336(d) of this title is reduced by 1/12 of 1 percent for each full month the employee or Member is under 50 years of age at the date of separation."

SUMMARY AND CONCLUSION

Mr. WEBBER. In summary, we appreciate the introduction of H.R. 5397 which would provide retirement after 30 years of service without regard to age. We also favor retirement in a formula of a combination of 80 years of age and service. We believe that persons who are separated in a reduction-in-force situation with 25 years of service or with 20 years of service but with an age of 50 should not have their annuities reduced. We also recommend that any person separated in a reduction-in-force situation who is not yet 50 years old but who has had 20 years of Federal service should be entitled to a reduced annuity.

We are opposed to any change in the present computation of military service for retirement purposes.

Finally, we are most grateful to you, Mr. Chairman, for the deep interest and the great energy which you have displayed in introducing bills and holding hearings on matters affecting the retirement benefits of Federal employees. We assure you of our fullest cooperation in developing a much more equitable retirement system in the Federal service.

In conclusion, we express our appreciation for the many considerations which you have afforded us and for the invitation to appear before you today.

Mr. WHITE. Thank you very much, Mr. Webber.

Mr. Daniels.

Mr. DANIELS. Thank you.

It is always a pleasure to listen to you testify at these hearings because of the very constructive nature of the recommendations that you make.

Mr. Webber, on page 2, the statement on the last line, you make reference to the RIF situation of a person who has had 20 years of service, but who has not yet attained 50 years of age and that he should be entitled to a reduced annuity.

You're taking into consideration a person, who has probably entered the Federal service at a very young age and has served 20 years. Suppose they enter the service at age 19 and was RIF after 20 years of service—that would make him 39 years of age. He would, then, under the proposal that you recommend, be entitled to an annuity at age 39 at a reduced rate.

Now, what would that rate be?

Mr. WEBBER. Well, with the present computation procedure, you would get a 22-percent reduction. First, his annuity would be based on

20 years of service, which would give him something on the order of 36 $\frac{1}{4}$ percent of the highest rate.

Then it would be further reduced by 11 years times 2 percent a year, which would be 22 percent. So, it would be about 36 percent, 80 percent of 36 percent—it would be around 25 percent of his high level.

Mr. DANIELS. You would be wiping out a substantial part of his annuity, wouldn't you?

Mr. WEBBER. On the other hand, he would have some money when he started a new career to try to maintain the same level of living that he had before. A man making \$10,000 a year and he came up with a possible \$2,800 a year annuity for the 20 years' service where he is phased out of his work and he has to find a new job, a new occupation, start at a lower rate of pay, it would be helpful to him to have that income.

If at that time he was able to come back into the Federal service, he could build on the years that he already had and should he get 30 years in by the retirement time, he could have his annuity computed in the regular fashion without having any reduction in benefits.

Mr. DANIELS. Do I read you correctly that a Federal employee with 30 years of service may voluntarily retire, but with no reduction in his annuity even though he would be under the age of 55?

Mr. WEBBER. That's the proposal, down to age 50.

Now, if a person were 20 years old and he came into the service, obviously, he would be 50 when he had 30 years of service. The way it is now, if a person retired with 30 years of service because of a reduction-in-force, something of this nature, at age 50, he has an automatic reduction of 10 percent in his benefits, because of his age.

Mr. DANIELS. Have you given any consideration to the cost that would be involved by adopting your proposals?

Mr. WEBBER. I couldn't give the actuarial costs that would be involved, but Congress has adopted provisions for people in the hazardous occupations and air traffic controllers and others. So, it would be an extension of a practice which already exists.

Mr. DANIELS. Well, I understand if we eliminated the annuity reduction of 2 percent for each year, that the employee is under age 55, that would increase cost of this legislation by \$5,980,000, or approximately \$6 billion.

Mr. WEBBER. Well, I read Chairman Hampton's letter in connection with this. I am sometimes amazed at the actuarial numbers that we get from the Civil Service Commission. As you know, in this year in the Federal budget, there is the payment of some \$2,800,000 just simply as 50 percent of the interest on the liability and the unfunded liability.

The unfunded liability has increased through inflation. It started, as we all know, with the failure of the Government to make appropriate contributions and failure to receive interest on those contributions during the time that the program has been in effect and certainly, the time that these benefits would come due.

I would think the trends that are currently in effect will continue to some extent and there will probably be considerably more money in the fund. The exact numbers, I presume, we have to accept what the Commission says, and as I recall, it is \$670 million a year over

the next 5 years and they said it would increase the normal cost of the system by 0.41 percent.

I recall, too, that over the past 5 years, the contributions of employees and contributions of the Federal Government have exceeded, they have exceeded the normal cost of the annuities and there was some talk at one time about adjusting the contributions to more accurately reflect the benefits the employees were receiving, but this didn't come to pass.

Mr. DANIELS. I think the Commission has also testified that they like to retain that excess.

Mr. WEBBER. That's what I say. They would like to retain it and then it would seem that some of these excesses, which are available, could be used to make a little better system.

Mr. DANIELS. Mr. Webber, the bill under consideration, H.R. 5397, places some limitation on the present method of accruing credit for military service of the Federal employee. I take it from the testimony that you have given, that you disagree with that provision in this bill.

Mr. WEBBER. We would prefer to have it continue in the way that it is now. As you know, again, the Federal system we talk about—an unfunded liability of \$75 billion and payments due of \$5,060,000 unfunded liability. At the same time, in the Federal budget this year, there is a payment in excess of \$6 billion for the totally unfunded military retirement system.

And it would seem that the payments which are made from the unfunded military retirement system to the civil service retirement system should take care of the financial obligations in respect to these people.

Mr. DANIELS. Well, I am inclined to agree with your views on that point.

Now, just one other comment. As you're aware, I sponsored the bill known as combination of age and service. Aggregate 80 would entitle the fellow employee to immediate retirement. You support that bill?

Mr. WEBBER. Very strongly, as indicated in our statement. We make that part of our statement here.

Mr. DANIELS. Yes. I have noticed your comment on that.

Mr. WEBBER. Right.

Mr. DANIELS. Thank you very much.

Mr. WHITE. Thank you very much, Mr. Webber.

The fact is actually, Mr. Webber, the combination 80 bill will probably be vetoed by the President, won't it?

Mr. WEBBER. Well, I would suppose with the temper at the White House at the present time, that this bill here may suffer the same fate, but I would hope that there would be sufficient support for such legislation that we could get it in over the veto.

Mr. WHITE. Isn't politics the art of the possible?

Mr. WEBBER. That's true.

Mr. WHITE. And isn't the 30-year bill more likely to get through, being accepted by the White House?

Mr. WEBBER. We would be pleased to get in either bill. The thing that concerns me was the opposition indicated by Chairman Hampton in his letter of May 2, to any changes in the system.

Mr. DANIELS. Will the chairman yield?

Mr. WHITE. Yes, I will.

Mr. DANIELS. Mr. Chairman, I urge action on this bill immediately, because the costs involved are considerably less than the bill that I sponsored, the combination 80. However, I would like to have an assurance from the Chair, though, that he would get me hearings on my combination age bill later on in the year.

Mr. WHITE. Yes.

Mr. DANIELS. Probably the President will sign your bill.

Mr. WHITE. I am not concerned about what we will get through to the White House actually, but we will have hearings later on in the year.

Mr. WEBBER. We wholeheartedly endorse the annuity at the end of 30 years' Federal service.

Mr. WHITE. Now, the problem with this particular bill, if we have any problem at all, is that cost would be approximately \$3.38 billion unfunded liability; you're aware of that?

Mr. WEBBER. Right.

Mr. WHITE. But if we followed your suggestion of retirement at any age without any reduction in annuity, that would raise the figure to \$5.98 billion. You're aware of this, probably, too?

Mr. WEBBER. Right.

Mr. WHITE. Could you tell us what the cost would be in unfunded liability if we followed all the suggestions that you have contained in your testimony?

Mr. WEBBER. Well, we have to accept the Civil Service Commission's actuary's numbers. We don't have an actuary office at the American Federation of Government Employees.

As I indicated in the first colloquy I had with Congressman Daniels, some of these numbers cause me concern. Things change from year to year and the numbers you get just don't seem to be related to the numbers that we received before.

It would seem, too, that we talked about the excess payments to the Federal retirement system over a period of some 4 to 5 years. Now, the Civil Service Commission graciously accepted those, said, "We will apply those toward the unfunded liability." But there were numerous articles in the paper that it was nearly, what—0.3 or 0.4 of 1 percent contribution from both the employer and from the employees, in excess of the current operating expenses of the program.

It would seem like some of the moneys which were collected in excess of the amounts required at that time could be applied to liquidate some of this unfunded liability—the contemplated unfunded liability.

Mr. WHITE. Well, let's ask it this way: In cost, what do you think the cost, by your computation, if we allowed 20-year annuity?

Mr. WEBBER. Could I just take a second and go into this in a little more depth?

Mr. WHITE. Not too long, please.

Mr. WEBBER. Let's take the situation, first, of 50 years' rather than 25 years' service. Now, with 2-percent reductions under age 55.

Now, here we are asking for 30 years' service and full annuity. Now, the Department of Defense applied the legislation which was passed some years ago, more than half the people, civilians who are employed by the Federal Government, are employed by the Department of Defense.

In the face of the nationwide RIF situation last year, there was a 3-month period where anybody who was employed by the Department of Defense within the continental limits of the United States could voluntarily place himself under the current RIF procedures, which meant that more than half the people in the Federal Government in the executive establishment were simultaneously eligible for retirement at age 50 with 20 years' service and at any age with 25 years' service. These are the current provisions of the retirement legislation as they apply to RIF.

Well, the other half of the Federal Government couldn't do this. There wasn't any concern about the great cost that the Federal retirement system would incur when they're helping the Department of Defense to get the people off the payrolls that they wanted to get off the payrolls, and it might be a very good thing to take a hard look as to what the unfunded liability accrual took place—to the retirement fund as a result of that particular action.

Mr. WHITE. But if we had followed your suggestion, though, allowing 20 years of annuity if RIF would have increased the problem—if the person could voluntarily—

Mr. WEBBER. My point is this: If it is good for the Department of Defense 3 months at a time and the unfunded liability is of no concern to the Federal Government during those periods of time, when we begin to take a look at something which is uniformly and universally applied throughout the Federal service and under substantially the same conditions, then the bugaboo of the unfunded liability comes to the fore.

Now, if the numbers which they say here in terms of your bill, the 0.4 percent, if that's 0.2 percent contribution from the employee and 0.2 percent contribution from the employer, the Federal Government, I would think that our people would be agreeable to increase contributions if they're matched by the Federal employer to improve their retirement system.

But I would like to see the numbers, the proper numbers, and have the same kind of concern for things which are of particular interest to such as the Department of Defense when they applied these same rules to more than half the people who are currently employed by the Federal Government.

Mr. WHITE. We try to maintain some comparability with private industry and private business. Can you cite to me any instances where any employee, who is RIF'd from his job, has the advantage of the annuity such as you suggest in your testimony?

Mr. WEBBER. I have seen studies, quite comprehensive studies, and currently some of them are going on right now up at the Civil Service Commission. The Congress is giving the Civil Service Commission well over half a million dollars to conduct 12 studies, and total compensation is one of the studies, and I have seen some of the backup material in those studies and there are data which go into what conditions are in all of the major industries in the United States, and if you would like to have me review the information we have in our office, I would be more than pleased to.

Mr. WHITE. But do you know now, is what I asked you, of any industry that makes any kind of contribution as you suggest in your bill?

Mr. WEBBER. I couldn't say just from personal knowledge. In that there are a—it is common practice when people, when mergers take place, when things of this kind take place, that considerable cash settlements are made and under certain legislation with regard to railroads when mergers take place, there are, you know, two, three, four, five—

Mr. WHITE. But that's not common practice, in other words, is what you're saying?

Mr. WEBBER. Right.

Mr. WHITE. What about the combination 80, do you know any industry that has a combination 80 retirement program?

Mr. WEBBER. No; not right now, I don't.

Mr. WHITE. Mr. Harris.

Thank you, Mr. Webber.

Mr. HARRIS. I'm sorry I missed part of your testimony, but the proposal that you make, what would be the dollar effect of it?

Mr. WEBBER. Well, I don't have precise dollar values.

Mr. HARRIS. Just sort of a ball park estimate.

Mr. WEBBER. Well, I would think that if the numbers presented here by Mr. Hampton in his letter of May 2 are correct, that it would likely be not more than 50 percent in excess of that.

Mr. HARRIS. Thank you, Mr. Chairman.

Mr. WHITE. Mr. Jenrette?

Mr. JENRETTE. No questions.

Mr. WHITE. Fine.

Well, thank you very much, Mr. Webber. Your contribution has been very helpful and we will take it under consideration as we have further meetings.

At this time we call as a witness, Dr. Nathan T. Wolkomir, president of the National Federation of Federal Employees.

If you would proceed under the same conditions of confining your remarks to 10 minutes, either reading or summarizing. If you wish to summarize, your statement will be placed in the record as though read.

Dr. WOLKOMIR. I think I will read it in full.

Mr. WHITE. All right, please proceed.

**STATEMENT OF NATHAN T. WOLKOMIR, PRESIDENT, NATIONAL
FEDERATION OF FEDERAL EMPLOYEES; ACCOMPANIED BY
IRVING GELLER, GENERAL COUNSEL**

Dr. WOLKOMIR. For the record, I am Dr. Nathan Wolkomir, president of the National Federation of Federal Employees, and to my left, our general counsel of the national federation, Mr. Irving Geller.

Mr. Chairman, I am always especially interested and concerned, and appreciative of the opportunity, of testifying on retirement legislation. The first major piece of legislation successfully sponsored by the NFFE was the original Federal retirement law of May 1920. For more than 57 years, official spokesmen for the NFFE have been appearing before congressional committees in support of progressive Federal retirement legislation.

The bill under consideration here today; namely, H.R. 5397, qualifies without quibble or question for the designation of "progressive."

The sponsor of this bill, as well as the other members of the committee, and other members who have sponsored related bills, are to be commended for their interest in seeking the enactment of these measures.

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

H.R. 5397 provides employees with an annuity after completing 30 years of service. We favor this bill, however, equity dictates that the 30-year service requirement be coupled with a minimum age requirement of 50 years, to provide a proper relationship with other retirement laws applicable to groups of employees who serve in an occupation or profession which permits an earlier age requirement and a lesser minimum years of service.

For example, law enforcement employees and air traffic controllers are permitted to retire after having served 20 years of service with a minimum age requirement of 50 years. However, air traffic controllers are permitted to retire after 25 years regardless of age.

The bill represents a major objective on the NFFE program of progress. It is designed, however, not only to benefit the employees, but I am confident that it represents the kind of legislation which is very much in the public interest and in the interest of a sound Government service.

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

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

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

I would like to state also, Mr. Chairman, in connection with our support of these measures, that over the years the NFFE has been zealous—some few have occasionally accused us of overzealousness—in our determination to strengthen the Federal retirement system and to accord our support to no proposal which, however sincerely motivated, could in our judgment tend to weaken, undermine, jeopardize, or otherwise impair the integrity of the system.

For that reason, from time to time, we have opposed measures which in our considered view would be contrary to the best interest of the

Government and its retirees and their families—even though some such measures may have had rather wide immediate and surface appeal. What I am saying is that our primary concern at all times has been not only to see progressive legislation enacted—but legislation which is well conceived and which would be in consonance with sound fiscal policy vis-a-vis the retirement fund.

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

H.R. 1266 and H.R. 3024 were introduced previously by the Honorable Dominick V. Daniels, Democrat, New Jersey, Congressman Daniels, long a champion of equity was then chairman of this subcommittee, and should also be commended for his efforts. His aim to modify the age and service requirements to facilitate the opportunities for voluntary retirement, has for many years been part and parcel of our program of progress.

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

The bill would modify the age and service requirements by allowing an employee to exercise the right to retire from Federal employment, on an immediate annuity after 30 years of service. We would, however, amend the bill so as to impose a requirement for a minimum age requirement of 50 years.

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

At the NFFE biennial national convention in September 1974, our position in support of these proposals was overwhelmingly approved. In this connection, I may point out that of the many resolutions presented to that convention, the subject drawing the largest single group of resolutions was retirement, indicative of the employees' great interest in this issue. I am sure that you, Mr. Chairman, and members of the subcommittee, already have heard from many of our locals and individual members, evidencing their deep interest and concern in improvements in the civil service retirement system.

The National Federation of Federal Employees regards liberalization in Federal retirement benefits as absolutely essential if the Government wishes to recruit and retain qualified personnel now and in the years ahead. This is most essential considering present trends to politicize and contract out many merit system career positions. The

NFFE proposals for broad improvement of the retirement system are outlined in a six-point program:

1. Government employees be permitted the option of retirement at full annuity after 30 years of service at a minimum age of 50.

2. The enactment of legislation to obtain a calculation factor in the annuity formula based on actual high three aggregate salary rather than base pay.

3. Enactment of legislation to grant optional social security coverage with the retention of the civil service retirement system as a separate entity.

4. The enactment of legislation exempting annuities under the civil service retirement laws from Federal and State income and inheritance taxes.

5. That procedure be developed between the Civil Service Commission and the Federal agencies whereby an application for retirement may be sufficiently ahead of the effective date so that payment of annuities will actually begin on the first day of the month following the specified date.

6. Full service creditation to the National Guard technicians for their service within the National Guard prior to January of 1969.

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

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

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

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

Thank you, Mr. Chairman.

Mr. WHITE. Thank you very much, Dr. Wolkomir. You were 10 seconds under your time. I thought you would be interested to know that.

Dr. Wolkomir, I would like to ask you some questions first. Do you concur with the previous witness regarding military time that there

should be no limit on the amount of accredited time a person could use in harmony with existing laws?

Dr. WOLKOMIR. We generally concur in the statement that was made by the previous witness with reference to the military determinations and military methods employed in computing their retirement and we have through the years, had a similar stand on the situation.

Mr. WHITE. Well, now, it occurs to me that in order to be consistent with that position, the subcommittee would merely have to strike any mention of military service, and existing law would then become operative.

Dr. WOLKOMIR. That's why we have completely eliminated in our statement any reference to it. We are happy with the way it is.

Mr. WHITE. All right. Now, going to page 2 of your testimony, you have spoken of putting some limitation on the retirement at age 50 by having 30 years of service. Now, in the first place, let me ask you this: What's the age at which a person can be employed by the Civil Service Commission? Or by the U.S. Government, I should say.

Mr. GELLER. Normally, it's 18. So that theoretically, a person could complete his 30 years by age 48.

Mr. WHITE. Forty-eight. So, it could be 18. And what's the minimum age in military service that a person can go in?

Dr. WOLKOMIR. At the present time under the voluntary army setup, it's approximately the same thing, about 18.

Mr. WHITE. So, we're talking about 48; you're talking about two years' difference, really.

Dr. WOLKOMIR. That's right.

Mr. GELLER. I think the important consideration is the fact that in other pieces of legislation, for example, law enforcement officers and air traffic controllers, there was imposed the requirement of 50 years, and I think to introduce the opportunity for full retirement, and that's what we're speaking of, full retirement, below the age of 50 would not be equitably based on laws that have been passed that give special consideration to law enforcement officers, air traffic controllers, and people in that category.

Mr. WHITE. Well, now, the bill as it is presently constituted doesn't provide full employment after 30 years of service. It provides that if you take into consideration all of the laws, too, that the person would have a reduced annuity under the age of 55.

Mr. GELLER. We understand what you're saying. We construe the bill to mean that a person would receive full annuity after 30 years of service at age 50, and this takes us back to the—

Mr. WHITE. We're talking about the way the bill reads or the way you would like to have it read.

Mr. GELLER. Well, that's the way we have read it.

Mr. WHITE. We will try to fortify if there's any confusion to that, but the intent of the bill as counsel read it, is that the person retiring before the age of 55 would have a reduced annuity with 30 years.

Dr. WOLKOMIR. If that's the interpretation, Mr. Chairman, then we're asking for revision.

Mr. WHITE. Well, now, let's take a premise. Assuming that's correct and if it's not correct, I think the committee will decide that that goes the way they want it. If they don't, that's something else because there are a number of members on this committee, but in the event there is a

reduced annuity under the age of 55, then do you feel that it would be inequitable as it relates to the air traffic controllers and so on, the present law, or do you think that that would be satisfactory without a floor of 50 years?

Mr. GELLER. Our remarks were fashioned on the theory that it was a full annuity and therefore, if we permit 30-year retirement with reduced annuity, we would have no objection to that; certainly not.

Mr. WHITE. Let's let counsel indicate what he reads the law to be.

Mr. LOCKHART. Well, the bill clearly would provide that a person under 55 would be subject to the reduction that already is provided in the law. The amendment on page 2 of the bill, Dr. Wolkomir, would accomplish that.

Mr. GELLER. We have no objection to the optional type. We are favoring substantially the combination of 50 years of age and 30 years of service with full annuity, and that's how we construed your bill to read.

Mr. WHITE. But if there's not full annuity after 30 years of service, then you would not be pressing for a 50-year floor, then?

Mr. GELLER. That's correct.

Mr. WHITE. I understand, OK, that's what I was trying to get at.

Mr. GELLER. Right.

Dr. WOLKOMIR. The reason, Mr. Chairman, for the 50-year insertion is really to be consistent with series of other pieces of legislation that have passed and are now law, as well as those being proposed.

Mr. WHITE. If there's full annuity?

Dr. WOLKOMIR. That's right.

Mr. WHITE. Now, do you have any statistics as to how many civil service employees go into service at the age of 18 or under the age of 20?

Dr. WOLKOMIR. We have no such figures now, but it is easily obtainable. Serving with the previous witness on both pay councils and running through these 12 studies, we can easily get this information.

Mr. WHITE. Could you provide that for the subcommittee?

Dr. WOLKOMIR. We certainly can; yes.

You say age 18 or below 20; is that right?

Mr. WHITE. Yes, sir. Now, my time has expired, so I recognize Mr. Daniels.

Mr. DANIELS. I thank you for your testimony, Dr. Wolkomir, and we always welcome your kind counsel and advice that has been most helpful in the past, and I also want to take this opportunity to thank you for your kind remarks about me when I served as the chairman of this subcommittee. They're very much appreciated.

Dr. Wolkomir, as I interpret your testimony here this morning, you're recommending to this committee that a person may retire after 30 years of Federal service at age 50.

Dr. WOLKOMIR. Yes.

Mr. DANIELS. And second, that such retirement be without a reduction in his annuity.

Dr. WOLKOMIR. That's correct.

Mr. DANIELS. Now, as the chairman pointed out, his bill would permit a retirement at age 50. However, subject to the present provision of

the law, have a reduced annuity of 2 percent for each year that he's under 55. Would you support such a bill?

Dr. WOLKOMIR. The answer would be yes, realizing the present situation as you had so clearly indicated, Mr. Chairman, from a political point of view, we will support anything that we feel has a chance of the President signing.

Mr. DANIELS. Now, also, you made no comment for credit for military service. However, in responding to the questions of the chairman, I think you indicated, and I want to get this clear and on the record, that you're in support of credit for military service rendered by a Federal employee subject to existing law instead of what's incorporated in this bill.

Dr. WOLKOMIR. That's right. We have found this, and as you know, Congressman Daniels, this is a very controversial subject with all sorts of things floating around about double dippers and adverse publicity with reference to retiring military who legitimately have obtained positions in the civil service.

Now, we feel that the present situation adequately takes care of that situation and rather than to foment another series of actions with reference to this whole aspect of the military and civil service, we believe that the present legislation does a fair and equitable job for them and we certainly endorse it.

Mr. DANIELS. Now, with regard to another question asked by the chairman about the age at which a person is permitted to join the military service, I understand that the military rules and regulations provide that a person may enter military service at age 17, however, with parental consent, or whoever stands in the position of a guardian.

Dr. WOLKOMIR. That's correct, sir.

Mr. DANIELS. I understand that there are no Federal law enforcement agencies that take persons into employ under the age of 20, is that true?

Dr. WOLKOMIR. In our experience, we have found that normally, and I believe in our experience it is true that they are past the age of 20.

Mr. DANIELS. And if any employees are under the age of 20, it must be a very minimum number, so if we combine 30 years of service with age 20, you arrive at the retirement age of 50 with this bill and also what you propose.

Dr. WOLKOMIR. Using the statistical basis on employees and where they are located, we speak now about the nondefense agencies and that's the other 50 percent of the Government employees and generally, we believe that your statement is accurate and in that group of the other 50 percent, generally they do fall into that category of age brackets above the 20.

Mr. DANIELS. You're very conversant with many of the laws that have been enacted recently. What categories of Federal employees are permitted to retire after 20-years of service at age 50?

Dr. WOLKOMIR. Firefighters.

Mr. GELLER. Law enforcement personnel, air traffic controllers.

Mr. DANIELS. Just those two?

Dr. WOLKOMIR. Those generally who are in security or hazardous types of occupations related to security.

Now, in our context, we have just the protective services, the guards, the firefighters, some air traffic controllers and I believe that there was a lighthouse group, wasn't there, that falls under that category? A very small number.

Mr. DANIELS. And the philosophy behind such situations is to keep this service young, is that correct?

Dr. WOLKOMIR. That's correct and that basically is our argument that since the move is anybody's who is after the age of 45, in Government today, is considered an old man and I'm speaking in terms of a lot of policies that agencies have pursued, that if we're going to encourage youth to come in, then we certainly should encourage them and entice them with progressive type retirement programs.

I believe, Mr. Chairman, you had also asked some questions of the previous witness about private industries that may have had such liberal programs. I believe we can quote two, Kaiser and General Electric. They generally have had a very liberal retirement program.

Due to the new pension law, too, let's not forget that the transfer of pensions under the general basic philosophy which is driving many of us up the wall in its interpretation also, is not taking care of many of these people who may move into industry and this has a direct impact on the general computation of their retirements, regardless of where they are and this should be considered in light of the overall subject as well.

Mr. DANIELS. I think my time is up, and I want to thank you.

Mr. WHITE. Thank you, Mr. Daniels.

Mr. HARRIS.

Mr. HARRIS. I want to express my appreciation to you also, and to your organization and the work you have done for the contribution that you have made for a modern, progressive program; I am very familiar with it and it is in no small part responsible for a lot of changes that have been made.

I was interested in your comments on page 6 and your six-point program, and I know you share with me and have said so, that you wanted to selfishlessly guard against jeopardizing or seriously hurting the retirement fund, but as I looked at the six-point program, I was wondering if you would have a rough estimate as to what impact that would have on the retirement fund?

Dr. WOLKOMIR. I believe we have a general idea that over the next 5-year period, and I, again, am using the figures of the Civil Service Commission that have been thrown at us, having served, may I state, on the retirement committee and as a retirement life insurance and health insurance program on the Commission panel for years, it is interesting to note that every time we get down to the basic computations of figures, of course, we get the biggest runaround in the world. We never get two figures alike from one meeting to the next meeting.

However, I will go along with their general computation, the fact that probably it would run over a period of 5 years at a cost of \$5 billion to \$6 billion. That's their computation.

Now, Congressman Daniels will probably recall our testimony on the 80 bill at that time and it's amazing how figures have changed suddenly over the last few years. At that time when we testified before the committee, the cost was running approximately \$188 million per

year, multiply it by 5 and we don't run it into a \$5 billion or \$6 billion figure, which leads me to believe—and I'm speaking now based upon recent meetings we have had with our new Director and his deputy in OMB about their methods of computation and their method of determining deficits.

When they take the interest charges, which runs into millions of dollars, on the unfunded liability in their retirement fund and they consider that part of the retirement fund deficits, where it's really not the fault of the employees who have contributed their share. The fault really lies on the fact that it has been unfunded for many years to the tune of almost \$72 billion and when you speak about that unfunded liability, meaning the employer's share, and multiply the interest rates on that \$72 billion per year, then you charge this, the fact that the retirement fund is unsound is understood.

And fiscally not on a sound basis, there is something wrong with this sort of budget that's going on and this is what they are doing in establishing their cost, and I think that \$5 billion or \$6 billion, this is actually computed into that overall figure by the Commission.

Mr. HARRIS. At any rate, it's hard, or impossible to compute the total impact that these six points would have on the fund, but you think while it would be substantial, if the fund was funded properly, that it wouldn't be so much as to jeopardize or endanger the fund, is that correct?

Dr. WOLKOMIR. Certainly we have said that through the years and in actuality, if the employer would meet his responsibility, we wouldn't have to be here every year on our hands and knees asking for improved progressive legislation. We would have the money.

Mr. HARRIS. Let me refer to point three here in which you suggest enactment of legislation to grant optional social security coverage with the retention of the civil service retirement system. There is current legislation being considered by Congress to, in fact, broaden social security to cover everyone including Federal employees. It would be mandatory coverage. Do you have a position on that legislation?

Dr. WOLKOMIR. Well, a position that we have been mandated after the national convention by our people to ask for a voluntary social security coverage for all employees. That's the NFFE position.

However, we're certainly aware of the fact that at one time the average employee working throughout the private sector, who is covered by social security, at one time used to have 10 employees to cover the responsibilities of social security, whereas today, we have only got three employees contributing toward the social security funds in order to take care of the unfunded liability.

Now, as unemployment gets worse and we are anticipating that it's going to take a slow recovery, the impact upon the social security fund, we're perfectly aware of.

[Discussion off the record.]

Dr. WOLKOMIR. I think we're aware of the impact that's involved in the social security. Despite this use of a mandate requesting optional social security for Government employees and this has been true ever since we have had social security.

Mr. HARRIS. I have one final question with regard to your point four, the enactment of legislation excepting annuities under the civil serv-

ice retirement laws from Federal and State income and inheritance taxes.

You know, I can see initially the merit of that proposal, but then would you support such a conclusion with regard to private retirement programs, nongovernmental retirement programs?

Dr. WOLKOMIR. I have my own problems, frankly, and I would like to—

Mr. HARRIS. That's enough. I won't press you on it. I am just trying think what kind of a door that opens up and what kind of a tax loss that could institute as far as the private sector.

Dr. WOLKOMIR. Every State has its own laws, Mr. Harris, and in fact, I just came from Oregon where we testified before the State legislature, believe it or not, on a crazy income tax they have on survivors of the federal fund and they are estimating what the potential income is for the survivor, the beneficiary of the retirement fund in the Federal service and then they tax based upon the estimated 20 years of income and as a result, they are actually paying more taxes in and in some cases, they are getting income, and we testified on this sort of thing.

The reason I'm bringing this out, we have done the same thing in Arizona, Oregon and Ohio, where we have gotten a base limitation on taxation. In some States, they don't tax the first \$5,000 of retirement money and other States, it may be \$4,800, or so on.

What we're trying to do, again, here based on mandate, is let's end all of this silly nonsense by saying all income tax, there will be no income tax on any actual Federal money, and the reason we say that is when you actually examine the amount of retirement fund, the actual amount of retirement that people in the Federal sector are getting, it's completely and grossly exaggerated by the press and that in more than 60 percent of their cases, they are getting less than a subsistence income for a family of four.

In other words, they are speaking about less than \$6,000 a year and people think that government retirees as a whole get out of the service retiring at \$12- to \$18-, or \$20-some-odd thousand. This may be true of those in the supergrades who are retiring in the last 5 years only, true of the management, and this misconception which we call our "truth campaign," we're trying to undermine, and 80 percent of the press generally are actually presenting these false figures and I'm sure you have seen some of our chamber of commerce releases in this area which are absolutely false.

Mr. HARRIS. Thank you. Again, your testimony and responses have been very helpful.

Mr. WHITE. Thank you, Mr. Harris.

Mrs. Spellman.

Mrs. SPELLMAN. Thank you.

I read your statement and I apologize for not being able to be in three places at the same time. I don't always get the choice of my favorite place either. Today it probably would have been right here.

There was only one question that I needed to ask because the explanations in your statement that you have given thus far, certainly are explicit; that is point No. 2 on the aggregate salary rather than the base pay. Would you spell out for me what that difference is? I would like to know what that means in terms of the military.

Dr. WOLKOMIR. Perhaps I can best exemplify it by one category in the Federal service. The firefighters are actually having their computation and calculation factor used in determining their annuity on the actual going home pay, which would include any overtime premium pay and this sort of thing, and this is what we mean by the aggregate pay rather than the base salary.

Mrs. SPELLMAN. I see. Are there many cases like this?

Dr. WOLKOMIR. No, there aren't too many. Generally people in the hazardous and in the security fields are the ones who are computed based upon aggregate pay. Maybe Mr. Geller can augment that statement.

Mr. GELLER. Also, there is the type of employee who works in the hospital, the laboratory technician, X-ray technician.

Mr. WHITE. Will the lady yield?

Mrs. SPELLMAN. Surely.

Mr. WHITE. Isn't that really what they call uncontrolled time?

Mr. GELLER. Not necessarily. It can be uncontrolled, it can be overtime. There are different terms. Standby time.

Mr. WHITE. I mean it's not a voluntary time, it's more a time that they are asked and required to be on duty?

Dr. WOLKOMIR. That's true.

Mr. GELLER. There are all combinations. There are terms such as "on call," "standby," "premium pay."

Mr. WHITE. But it's not strictly voluntary time?

Mr. GELLER. No.

Dr. WOLKOMIR. No; not necessarily. In fact, some of it is imposed upon many people who don't want it.

Mr. GELLER. In other words, there are substantial numbers of employees, some of whom now have their annuity calculated on the basis of their aggregate salary, that is, base pay plus any overtime, premium pay or any other type pay, and there are others who don't enjoy that advantage and whose annuity is calculated only on their base pay.

And we believe that equity dictates that all employees should enjoy the aggregate pay concept rather than—

Dr. WOLKOMIR. See, the logic behind that is not so much dollar for dollar and pay for pay, is the fact that this is service time which is not computed under the base pay concept. Actually people are putting in time above and beyond the norm. This is really service time that should be computed.

Mrs. SPELLMAN. And they should be compensated—

Mr. WHITE. Will the lady yield?

Mrs. SPELLMAN. Yes.

Mr. WHITE. Is that time and a half, or straight time?

Mr. GELLER. In some instances, it will be time and a half and in other instances, it ranks from 10 to 25 percent of the employee's salary. For example, immigration inspectors may receive, because their time is so uncontrolled, a term that you used, Mr. Chairman, or the FBI or people in that category, we can't really set time. They don't get overtime in the strict sense. They get what's known as premium pay.

Mr. WHITE. In other words, they get a premium already on that, so they are somewhat rewarded for that extra time?

Mr. GELLER. Oh, yes, they are rewarded. However, if it becomes a pattern of their full employment, as in the case of firefighters or any

other investigatory type of person that get a premium pay, that now is, in the law that the annuity will be calculated on the basis of the aggregate rather than the base pay, and what we're asking for is an extension of that concept to all employees who may work in an unusual time frame.

Dr. WOLKOMIR. It's part of the same philosophy, if you recall, Congressman, we have the high five concept—the reason for the high five and now we have moved into the high three is all part of this attempt to compute equitable service time for our people, and it's all part of the same thinking.

Mrs. SPELLMAN. Thank you for your answers to my questions.

Mr. WHITE. I might interject here, I understand that this came up last year and it was estimated by the administration, it would cost an additional \$3.7 billion.

Dr. WOLKOMIR. You mean based upon the aggregate instead of the base pay?

Mr. WHITE. Which is more than this bill.

Dr. WOLKOMIR. If we can cut out, wipe out the whole deficit in 1 month by taking a close look at our cost overruns in many areas, I don't think there would be any question about the Government becoming the model employer and nobody is looking at that and it's a shame.

Mr. WHITE. Yes, they are, indeed, they are.

Dr. WOLKOMIR. Well, I want to express to you and Mrs. Spellman that—

Mr. WHITE. Mr. Jenrette?

Mr. JENRETTE. The mail that I have been receiving apparently indicates that the people that you work with feel that the 30-year retirement without any age limit is what they are asking me to support.

In your testimony and your comments with the chairman, you feel that there is some misconception as the bill is presently drawn, is that a fair statement?

Dr. WOLKOMIR. Frankly, I have taken upon myself the administrative right to modify what our own people have asked for, and you're right, they're asking for 30 regardless of age.

Mr. JENRETTE. But you indicated that you support, I believe in response to the chairman, that the minimum age of 50 is actually compatible with your organization's thoughts?

Dr. WOLKOMIR. Generally, yes.

Mr. GELLER. At full annuity.

Mr. JENRETTE. With regard to point five, what is generally the lapsed time now between the time an individual retires and receives his first check?

Dr. WOLKOMIR. Well, this can vary anywhere from 3 to maybe 6 months, and we have case after case where we are constantly hounding the Retirement Bureau about trying to make their payments a lot more expeditiously than they are and generally, to answer your question, anywhere from 3 to 6 months' delay.

Mr. JENRETTE. I would infer from the testimony that you feel that this is the fault of the administration of the program, rather than the employee's fault in submitting the application well in advance?

Dr. WOLKOMIR. Yes; and the reason for it, to be fair to the Commission, is overload of work. They do have, they are so backlogged

that they just don't have the staff, really, to process the claims and in many cases, the delays actually occur not in the Retirement Bureau, but rather the first source, the agency itself where the individual has submitted retirement papers and they get lost in the shuffle. We have both instances.

Mr. GELLER. We believe that the administration, that's both the governmental agency that employs the employee and the Civil Service Commission, are too casual in the processing and we think it may be useful to incorporate within legislation certain time limits for them to act on a retirement application.

Now, there is no doubt that some instances, it is a last minute submission, but the complaints that we hear about are complaints where the requests for retirement are made adequately in advance, but for one reason or another, either the agency delay or bureaucracy, or the Commission's incapability of fulfilling its mission, results in a delay of, as Dr. Wolkomir indicated, 6 months.

Now, a person is without pay, is without salary, and this is an awesome burden to bear and we think there's something wrong with the system that fails to produce a prompt retirement check, and it sounds like an administrative problem, but I would think that if the language was spelled out clearly in the law and we have such language in other legislation involving pay, like a 45-day limitation to do something, or to advance a sum of money if they can't come up with the final adjudication of the figure.

Mr. JENRETTE. Finally, going back to Mrs. Spellman's line of questioning, did you propose that the aggregate be for the 3 years preceding reaching age 50 or 55, or any 3 years an employee might be employed?

Mr. GELLER. Any 3 years, however, typically the last 3 are the highest.

Dr. WOLKOMIR. Except lately. Lately, with all the downgrades that are going on in the Government today, we wonder what the highest is.

Mr. JENRETTE. I yield.

Mr. WHITE. Thank you, Mr. Jenrette.

Thank you very much for your testimony. I think a lot of the proposals that you have made are very appropriate, but maybe not in this bill and so, therefore, I think we will be talking to you and to others of the employee groups concerning this.

I think it is a very real thing that you're speaking of in terms of their retirement pay. I think perhaps this would be a subject for an oversight investigation of this committee to see if the existing mechanism is faulty and why it takes so long. Maybe the laws are adequate if properly fulfilled. So, we will look into this and counsel will ask the GAO to check into this subject.

Thank you very much for coming.

Dr. WOLKOMIR. Mr. Chairman, we do want you to know that we are appreciative of the fact that you're taking a very realistic approach to every one of our problems and we realize what your tribulations are and we respect them. Thank you very much.

Mr. WHITE. Thank you.

We will continue the hearings tomorrow. The meeting is adjourned.

[Whereupon, the hearing was adjourned, to reconvene on Thursday, May 8, 1975.]

RETIREMENT AFTER THIRTY YEARS OF SERVICE

THURSDAY, MAY 8, 1975

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

The subcommittee met at 9 a.m., in room 311, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee) presiding.

Mr. WHITE. The subcommittee will come to order.

This subcommittee has convened this morning to continue its hearings and deliberations on H.R. 5397, a bill which would encourage young people to join the Federal Government at a young age, and, after 30 years of service, give them the opportunity, if they desire, to retire and enjoy the benefits of his or her years of service to this Government.

Now, this bill, H.R. 5397, does not in any way change the present law as it relates to annuities and reduced annuities for people retiring under the age of 55.

We appreciate that the Letter Carriers Union is here early. We shall begin this morning by first hearing from Mr. James H. Rademacher, president, National Association of Letter Carriers, accompanied by Mr. J. Joseph Vacca, executive vice president; Mr. Austin B. Carlson, vice president, and Mr. Jerome R. Waldie, legislative consultant.

We have a policy on the subcommittee of requesting witnesses to confine themselves to 10 minutes of opening statement—either a summarization of the testimony, or by reading, if you desire; if you decide to summarize, then you can include your full statement in the record as if delivered.

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, ACCOMPANIED BY J. JOSEPH VACCA, EXECUTIVE VICE PRESIDENT; AUSTIN B. CARLSON, VICE PRESIDENT; AND JEROME R. WALDIE, LEGISLATIVE CONSULTANT

Mr. RADEMACHER. Mr. Chairman, you can rest assured we intend to abide by the instructions of the subcommittee. We are so elated that you and your subcommittee are interesting yourselves with this legislation, that we would be satisfied with 1 minute.

Mr. Chairman, we appreciate also the fact that because of our serious negotiating problems, that you have permitted us to appear early today.

Mr. Chairman and members of the subcommittee, on behalf of letter carriers everywhere, permit me to extend their appreciation to you, Mr. White, for your sponsorship of H.R. 5397. Our organization fully supports the bill; we will continue to exert every possible effort to assist you in bringing about its early enactment. Dating from the inception of the Civil Service Retirement Act nearly 55 years ago, our union has sought to improve the act in hundreds of different ways. But I can say very honestly, Mr. Chairman, that approval of retirement after 30 years of service at any age would be among the most beneficial amendments we ever supported. Personally, I would rate approval of H.R. 5397 on a par with the establishment of a widow's annuity, which is at the top of my list.

For the record, Mr. Chairman, my name is James H. Rademacher. I am president of the National Association of Letter Carriers, AFL-CIO. We have a membership of 240,000, of which approximately 200,000 are actively employed as letter carriers. With me this morning are J. Joseph Vacca, our executive vice president; Austin B. Carlson, our vice president; and our legislative consultant, Jerome R. Waldie, former Congressman from California.

In ranking H.R. 5397 among the most enlightened amendments ever offered to the Retirement Act, I can confidently say that my own opinion is universally shared by every active letter carrier. Regardless of place of employment, or type of duty, letter carriers everywhere are working under great physical and mental pressures. A 30-and-out retirement option represents the proverbial light at the end of the tunnel to them.

Our job has never been easy. On the contrary, it has always been an arduous line of work. And it is not getting any easier. Under the pious guises of efficiency and economy, letter carriers are being given more mail, heavier loads, longer routes, not to mention unrealistic and often unattainable time standards. Our members are being computerized and economized into physical breakdowns and early retirements at rates never before experienced.

With the combination of all these pressures, the most robust letter carrier finds it difficult to meet the day-to-day physical demands of his employment. To continue to insist that he work under such conditions for 35 and more years before he meets the current minimum age requirement for retirement is almost too much to ask of the human body and spirit. An employee who puts in 30 years delivering mail at the pace demanded today has more than earned retirement, regardless what his age might be.

The ill effects of these strains and pressures are showing up in the number of heart attacks and disability retirements among the letter carrier work force. It is no longer an unusual situation for the number of disability retirements in a given post office to match—and in some cases exceed—the number of optional retirements. That is a type of work environment none of us should be expected to tolerate. I suggest, too, that it says something about our social values when we seemingly take for granted that an opportunity to retire on disability negates any need to eliminate the causes of the disabling disease or injury.

In Cleveland, Ohio, for example, there were 76 letter carrier retirements during the period from January 1, 1974, through the first quarter of 1975. Of the total, 42 were for reasons of disability; 34 were on an optional basis. There is something wrong with a system that causes more than 55 percent of all retirements to be chargeable to work-related illnesses or injuries. The obvious answer is change the system. That is precisely what we are trying to do by the enactment of a proposal that would permit a worker to call it a career after 30 years.

In the letter carrier ranks in Oklahoma City, Okla., there were 34 retirements in 1974. Nineteen were on an optional basis, and 15 for reasons of disability, including 5 heart conditions. Through the first quarter of 1975, the number of disability retirements has increased to 21, with 5 applications pending.

In both Cleveland and Oklahoma City, some of the disability retirees had in excess of 30 years of service, but none had the minimum age requirement. At the same time, several of those retiring optionally had serious physical problems, but qualified for optional retirement and elected that method rather than go through the often prolonged and drawn-out disability retirement route. In a letter from one of this last group, the writer stated:

I was never so glad to celebrate a birthday as I was my 55th. After 36 years of pounding the pavements, with the last 10 under miserable work conditions, I could not have been consistently effective another month, much less another year. If you never get another bill passed by Congress, get a 30-year retirement bill, even though it won't do me any good, I can't help but feel that I have been cheated out of 6 years of my retirement life by being forced to go beyond 30 years.

For as long as I have been in the Postal Service, it seems that it has always had one record which is wholly unenviable. Within the Federal Establishment, the Postal Service always seems to lead the statistical tables showing the frequency and severity of injuries among the civilian work force of the Federal Government. And, within the Postal Service, letter carriers invariably report more disabling injuries than any other group.

In 1974, for example, total injuries reported for all agencies was 128,961. Almost half of that total—59,560—was reported by the U.S. Postal Service. Almost two-thirds of that number were letter carriers.

On the basis of per million man-hours, the frequency rate for all agencies was estimated to be 7.025; for the Postal Service the rate was 11.790.

Unfortunately, calendar year 1972 is the latest period for which statistics were published for heart cases reported under the compensation for injury laws. The total for that year was 766 for all agencies; the Postal Service reported 273 of that total. There was no breakdown by craft.

We have attempted to assemble data on heart injuries among letter carriers from claims submitted to our health insurance department.

Of approximately 200,000 active letter carriers on the job today, our plan insures 116,000—or about 58 percent of the total. We broke down our insured population into age groups, and then assigned each age group the number of treatments for heart conditions our claims experience told us.

The computer printout told us that in 1974 a total of 3,454 active letter carriers were treated for some type of heart disease. By age groups, the patient distribution was as follows:

18 to 29	31
30 to 39	103
40 to 49	1,456
50 to 59	1,340
60 up	524

If our own heart cases are adjusted to reflect the experience of letter carriers (42 percent) insured in a health plan other than ours, the figures would look something like the following:

18 to 29	44
30 to 39	143
40 to 49	2,068
50 to 59	1,903
60 up	744
Total	4,902

This indicates that in a work force of 200,000, about 1 out of every 40 was treated for some type of heart condition. It will be noted that the greatest frequency rate was in the 40-49 age group, a period when a person should rightfully expect to be in good health and at his most productive efficiency.

Our data processing department has compiled similar information for the first 3 months of 1975. There has been a marked increase in the number of heart cases: A total of 1,912 for January through March. This would result in a figure of 7,648 at an annual rate. Adjusted to include the 42 percent of carriers not insured by us, the adjusted national annual total would be in the neighborhood of 10,000—or approximately 1 out of every 20 members.

PUBLIC SECTOR RETIREMENT PLANS

A few months ago, the auto workers successfully negotiated a 30-and-out retirement program with the automotive and allied industries. The settlement rightfully received considerable notice in the media. In the private sector, there has been an increasing trend toward early retirement after a specified number of years, regardless of age. There seems little doubt that, with the auto workers establishing a 30-year figure, this trend will be given an impetus, and 30 years of service will be the target figure.

Interestingly enough, annuity and pension plans in the public sector have been ahead of private industry in providing for early retirement options.

The most familiar, perhaps, is the military retirement system. It is my understanding that, after 20 years, a member of the military receives 50 percent of his salary, and 75 percent after 30 years of service. Members of the armed forces make no contribution to their retirement. Further, for the past 20 years or so, military annuitants also receive social security benefits. The beneficiary pays the usual worker's share of this benefit.

A check has been made of 75 annuity/pension plans in the public sector, with specific emphasis on retirement options available to the

uniformed employees of States, counties, and cities. Basically, this group would consist of policemen and firemen.

A number of these jurisdictions have very liberal early retirement provisions. It is the exception rather than the rule for the participant to contribute any salary to the plan; more than half of those surveyed provide for social security in addition to retirement benefits. With few exceptions, the benefit is 50 percent of wages at the earliest option, with an increase in annual benefits for every year the employee continues his employment beyond the minimum years of service.

The following jurisdictions have a minimum of 20 years of service and no age requirement: Pittsburgh, Pa., Meridian, Miss., Johnstown, Pa., Wichita, Kans., Ft. Wayne, Ind., Pawtucket, R.I., Fairfax City, Va., Schenectady, N.Y., Russellville, Ark., Brunswick, Maine, Great Falls, Mont., Louisville, Ky., Oklahoma City, Okla., Springfield, Mo., Massachusetts, New York, N.Y. (police and firemen), Indianapolis, Ind., Muncie, Ind., Middletown, N.Y., and Newark, Del.

These have a minimum of 25 years, regardless of age: Kalamazoo, Mich., Greeley, Colo., Scotch Plains, N.J., Falls Church, Va., Middletown, Conn., Ridgewood, N.J., Manitowoc, Wis., Glens Falls, N.Y., Kansas City, Mo., Springfield, N.J., Phoenix, Ariz., and Harrington Park, N.J.

Amarillo, Tex.—28 years of service at any age.

In the 30-year-no-age category are: Saratoga Springs, N.Y., Tacoma, Wash., Greenwood, Miss., Baltimore, Md., North Carolina, and Seattle, Wash.

Other jurisdictions require some type of service-age combination. A sampling of those requiring 20 years of service and 50 years of age include: Canton, Ill., Tucson, Ariz., New Kensington, Pa., Kankakee, Ill., Alexandria, Va., Pueblo, Colo., and Woodstock, Ill.

Alexandria, La., requires 20 years of service and an age factor of 55.

San Diego, Calif.—20 years of service and age 57½.

Tampa, Fla.—20 years of service at age 46.

Waterloo, Iowa—22 years of service at age 55.

Those specifying 25 years of service and an age 50 factor includes: Eugene, Oreg., Dunkirk, N.Y., Norway, Mich., and Auburn, N.Y.

Other 25-year service jurisdiction include the following at age shown: Paterson, N.J., at age 51; Milwaukee, Wis., at age 52; Rochester, N.Y., at age 55; Parsons, Kans., at age 55; Nashville, Tenn., at age 55.

Los Angeles, Calif., has a 30-year, age 52 plan. Topeka, Kans., age 55 with 22 years of service.

Jacksonville, Fla., has the same as the Civil Service program—30 years at age 55.

Some cities have a minimum age, but no service requirement: New York, N.Y., age 55; Ann Arbor, Mich., age 55; Philadelphia, Pa., age 55 (police and firemen, age 48 at 10 years).

The evidence is ample to support the objective of H.R. 5397. As the examples cited above demonstrate, the bill is not breaking entirely new ground in the field of retirement, although it will be a first in the Federal sector. It is a progressive piece of legislation; it is an excellent bill in all respects. We sincerely hope that it will be approved and enacted into law at the earliest possible date.

SUMMARY

Counsel has an errata sheet on pages 4 and 5. Because our union wants to be specific and factual, we had to make a correction; and we ask that pages 4 and 5 as now being turned over to the counsel be part of our testimony.

Mr. WHITE. Do they substitute for any pages?

Mr. RADEMACHER. Just two pages, pages 4 and 5 would be substituted with the new 4 and 5.

Mr. WHITE. All right.

Mr. RADEMACHER. Mr. Chairman, we are approaching this subject in a different manner. We have testimony here this morning which completely supports your bill, H.R. 5397.

On the other hand, in addition to testifying in support of our legislation and in presenting this testimony, we want to call to your attention the fact that our union is on record unanimously stressing a much earlier retirement than you are even proposing.

I am compelled by mandate and out of just plain equity and justice to advise the subcommittee that our union feels 25 years of "carrying the satchel" under the pressures of the day are sufficient to earn a retirement from the U.S. Government.

We also suggest, Mr. Chairman, at this point that we would hope consideration would be given to reducing the penalty that will continue if your legislation is enacted. We feel that if a person has worked for 25 years, he has earned an annuity up to that point and should not have that annuity reduced because he or she is under age 55.

Mr. Chairman, our thrust today is in a few specific areas, one of which concern the health and welfare of our membership. We have gone into great detail in this testimony to point out the results of our computer study—that I have before me here now—which reveals the number of members who have been treated for heart conditions over the past year.

We also include in our testimony in one of our major thrusts, the fact that our members are taxpayers and citizens in communities where earlier retirement is already the law for police and firemen, and, in many areas, city employees with only 20 years of service—and in many instances without an age requirement.

We also point out, Mr. Chairman—prior to this testimony—the statistics of the Civil Service Commission revealed that one out of every three retiring letter carriers did so for reasons of disability.

Our testimony today includes the very shocking new statistic that in January in many cities throughout the country the number of letter carriers retiring for reasons of disability exceeded half of the number of total retirements. This information should be sufficiently impressive to cause the committee to know why our union is pressing for earlier retirement.

Our people want to live to enjoy the retirement that they have earned serving America, and, unfortunately, they are not living to enjoy that annuity.

The facts that we reveal to you today, Mr. Chairman, indicate that a projection for this year holds the possibility of 1 out of every 20 people that carry the mail will be treated for a heart condition. That is an

unbelievable statistic, but it is wholly supported by our programmed data which has been provided by our health insurance plan.

The other information that you have in this testimony includes charts of those cities that I have referred to where there is a much earlier retirement. There is also the evidence that I have referred to suggesting that the number of disability retirements has now exceeded the 50 percent mark.

In the spirit of cooperation, and because we are so pleased that you personally, Mr. Chairman, and your subcommittee are at an early time in the life of this subcommittee studying this legislation, in the interest of cooperation we are willing to yield at this point to answer any questions.

And again we thank you and trust that the subcommittee will be able to move this legislation very expeditiously.

At the present time the chief concern of the people I represent—the people that carry mail to America—is for early retirement.

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

Were any of your colleagues who are present with you planning to add anything at this time?

Mr. RADEMACHER. We have a policy that when the President has made a statement, that's it. But any of my colleagues are happy to answer questions. [Laughter.]

I am happy that you recognize our distinguished assistant to the president, the former Congressman, Mr. Jerome R. Waldie, legislative consultant. He may want to take 30 seconds to respond.

Mr. WALDIE. I normally would, but after Jim's statement that when he speaks—I think I'll just keep quiet. It's good to be here. [Laughter.]

May I just say this, as a matter of fact, if I can express the feeling of everybody at this table—and I am sure, in the audience—the pleasure that all of us experience with the manner in which you have handled this subcommittee. It has been very, very encouraging, and a great deal of credit has to be extended to you for studying this legislation, and supporting it.

We are appreciative of that.

Mr. WHITE. That's very kind of you.

This is actually one of the first mornings that we have not had a larger number already here. Thursday must be a "bad" day. Maybe there was an unusually good day on the Today Show on television or something, I don't know.

We have been hearing for several days this particular bill. There are some questions I do have relating to the bill itself.

Now, I believe you said on page 6 of your testimony that the automotive and allied industries—is this for the three major automotive manufacturers, or just one or two of them?

Mr. RADEMACHER. That is currently in all of the autoworker contracts, Mr. Chairman.

Mr. WHITE. Do you have any lists of other industries that may have some 30-year programs for retirement to present to the committee?

Mr. RADEMACHER. The Deere Co., in Waterloo, Iowa, for one example; and we would be happy to prepare immediately a list of other corporations and industries.

Mr. WHITE. If you could, we would like to have it.

This appears to be a trend. I can see or foresee a man going into service early, and not being able to retire until a certain period of time, and thereby penalizing them as compared to the men who may serve at a later date and not have as many years in.

Mr. RADEMACHER. Mr. Chairman, if there had been time we would have delved at length into support of Mr. Meany's statement over the last few days of the insensitivity of certain people in Government to the terrible unemployment situation.

And I think legislation such as you have introduced will go a long way in helping that problem. At least it will show the Congress was willing to help the problem, if no one else is.

Mr. WHITE. The testimony earlier indicated that there would be about 25,000 jobs—which may not sound like much—probably open when this legislation passes, about one-fourth of those who would be eligible would take advantage of this provision.

And the principal reason that not all of them would take advantage of it would be that still there would exist the provision in the law that the annuity would be reduced if they retired prior to the age of 55. So many of them may continue service until age 55.

Mr. RADEMACHER. Mr. Chairman, I predict if you enact this legislation by July 1, on July 2 you would have 25,000 just from the ranks of postal workers.

Mr. WHITE. Well, one problem with the bill that concerns me is the military phase. Mr. Tinsley of Civil Service Commission testified that in his opinion of Government service there should be no limitation on the computation for military service incident to retirement. Do you agree with that?

Or do you feel that there should be some limitation of how much military time you can take?

Mr. RADEMACHER. No, I can agree with Mr. Tinsley. I think whether you are serving the Government in the military or as a letter carrier or in executive office, you are contributing a lifetime to the Government that you love; there should be no differentiation at all in my opinion.

I may want to qualify that after I read Mr. Tinsley's statement.

Mr. WHITE. Yes, of course.

In thinking this over, about military service, one thing that does bother me a little bit is that there may be a possibility of an individual taking credit both ways, that is, his military time or credit for his military duty for annuity purposes, and then credit for civil service retirement. I am not sure that that would be entirely fair.

Do you foresee this as a possibility?

Mr. RADEMACHER. Not if you prohibit it in the language of your law.

Mr. WHITE. Well, that is what I am getting at. And I am not sure we can do it. That is something we will have to determine.

But I am wondering, now, whether or not the present language of the bill would still permit duplication, or duplicate use of time in both annuity programs.

Mr. RADEMACHER. I have to admit that I haven't studied that section of the bill. I was so enthused about the first section, I didn't get to the last section.

Mr. WHITE. We will have to determine that with counsel, of course.

Now, pages 7 and 8 of your testimony, there you have a breakdown

of various areas of the country where police and firemen enjoy early retirement options, and you state it is the exception rather than the rule for participants to contribute anything.

Would you be so kind as to break this down further to provide for the record which States and cities provide all funds for employees' retirement?

Mr. RADEMACHER. We will try to prepare that information and have it to you by the first of next week.

[The information follows:]

NATIONAL ASSOCIATION OF LETTER CARRIERS,
Washington, D.C., May 8, 1975.

Hon. RICHARD C. WHITE, *Chairman*
Subcommittee on Retirement, Post Office and Civil Service Committee, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN WHITE: Police and firemen retirement plans of county and city jurisdictions in the State of New York are under the Firemen's and Police-men's Retirement System, authorized by the Retirement and Social Security Law of the State of New York. These are non-contributory programs.

Among the examples cited in my testimony of May 8th on H.R. 5397 were the following New York State jurisdictions: Schenectady, New York, Middletown, Glens Falls, Saratoga Springs, Dunkirk, Auburn, and Rochester.

Other non-contributory plans are in Springfield, Missouri, Tampa, Florida and Milwaukee, Wisconsin.

Los Angeles, California, has a 3-for-1 ratio between employer and employee.

Oklahoma City, Oklahoma, employees contribute only 2.5 percent of pay.

Some jurisdictions require a fixed employee contribution—4 percent to 5 percent of wages—with the county-city being obligated to contribute whatever amount is required to keep the plan actuarially sound.

Since my appearance before your subcommittee on May 8th, I have learned that the Pittsburgh Plate Glass Company has a so-called "Magic 80" retirement plan—any combination of age-service totaling 80.

With every personal good wish, I am

Sincerely,

JAMES H. RADEMACHER, *President.*

Mr. WHITE. Counsel, have you any questions?

Mr. McCLUSKEY. No, sir.

Mr. WHITE. Thank you very much, Mr. Rademacher. We appreciate your appearance this morning.

You may be interested to know that the markup on this bill is scheduled for this coming Monday in the afternoon, and, without foreseeing any other problem, I anticipate that the markup will go forward. What the committee will do, of course, is in their discretion: but at this time I predict only minor complaints—concerns about various provisions of the bill. I haven't seen any major resistance up to this time to the total bill.

I think there is some recognition that there is some equity in equalizing civil service retirement as compared to military retirement, as it relates to cut-off time there.

Mr. RADEMACHER. The good Congressman who represents my District is here now. I might observe that it seems to me that it is a gross injustice and inequity when there are those in agencies that are suffering reductions in force where those employees with 30 years of service can get out; and, yet, those employees that are working as hard and even harder—because their agency is not involved in that kind of a reduction—they must continue on until they either drop over, or become one of these statistics which we reveal here today.

So there is a gross inequity in the retirement act. And, Mr. Chairman, you continue to amaze me with the enthusiasm that you show for this bill. We are very delighted and we compliment you.

Mr. WHITE. I understand what we are doing is to bring justice to the retirement system; recognizing that we are in a period of austerity, that is why we have not attempted to vote out bills with a number of different facets.

What we are trying to do is get the simplest bill we think can improve employment, and take steps as we go. We have to step before we run.

Mr. RADEMACHER. You may be assured of our total support, not only in the Halls of Congress but, in the event the administration saw fit not to agree with the committee, we would have thousands of our people on Capitol Hill, urging enactment of that bill.

Mr. WHITE. Mr. Harris?

Mr. HARRIS. No questions.

Mr. WHITE. Thank you very much. We appreciate your coming this morning.

The next witness is Mr. Patrick J. Nilan, legislative director, American Postal Workers Union, AFL-CIO, accompanied by Mr. Edward L. Bowley, legislative aide.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
AMERICAN POSTAL WORKERS UNION (AFL-CIO), ACCOMPANIED
BY EDWARD L. BOWLEY, LEGISLATIVE AIDE**

Mr. NILAN. Mr. Chairman, Mr. Bowley and I appreciate and wish to convey, as our good friend Mr. Rademacher of our sister organization indicated, our enthusiasm for your sponsorship of legislation, holding hearings, and your announcement a few moments ago that you intend to have your subcommittee convened and consider marking up the pending legislation, H.R. 5397.

Mr. Chairman and members of the subcommittee, for the record, I am Patrick J. Nilan, national legislative director of the American Postal Workers Union (AFL-CIO) with offices at 817 14th Street, NW., Washington, D.C. I am very please to appear before the subcommittee this morning with our legislative aide, Edward L. Bowley, as we present our testimony concerning H.R. 5397, which proposes to amend the Civil Service Retirement Act.

We speak in behalf of more than 300,000 postal employees, for whom we are the exclusive national representative for labor-management relations and collective bargaining with the U.S. Postal Service. Our membership is employed in post offices in all 50 States, the District of Columbia, Puerto Rico, Virgin Islands, and Guam.

The American Postal Workers Union (AFL-CIO) wishes to take this opportunity to commend you, Mr. Chairman, and members of your subcommittee for scheduling hearings on a matter which is of considerable importance to all Federal employees.

We believe H.R. 5397, a bill that will authorize the retirement of employees after 30 years of service, should receive top priority by the full committee with every effort to enact such a bill in the 94th

Congress. An employee who is separated from the service after completing 30 years of service is entitled to an annuity.

APWU supports this as a step in the right direction, however, it does not go far enough. As the bill is presently written, an employee with 30 years of service at age 55 would still receive the present annuity which is only 56½ percent of his high 3-year salary.

If the employee is under the age of 55, the annuity is reduced by 2 percent per year for each year under 55. Mr. Chairman, we would ask that you and your committee would consider improvements in both of these areas since it is our understanding that the present employee-employer contribution of 14 percent is more than is required to fund the present level of benefits. If this is so, the employees have been overcharged since October 20, 1969, when the level of contribution was increased to 7 percent for each, the employee and the employer, under Public Law 91-93. Actually, employees have been contributing to the unfunded liability of the Government—an inequity which we hope, Mr. Chairman, you will correct when marking up H.R. 5397.

The membership of the American Postal Workers Union has designated earlier retirement legislation and particularly a 20-year optional retirement opportunity as a paramount legislative goal of our union. This is significant in view of reassignment and relocation of postal workers in recent years—and it may continue indefinitely—as the result of operational and mechanized changes within the U.S. Postal Service.

We should like to point out that the U.S. Postal Service continues to face major difficulties in attracting and retaining desirable personnel in many areas of the country. H.R. 1256, a bill introduced by Congressman Dominick Daniels, Democrat of New Jersey, a distinguished member of this committee, would, in our opinion, go a long way in helping to reduce the staggering numbers of unemployed in this Nation.

Retirement benefits which were formerly an important factor in mitigating the recruiting problem of the Postal Service, now loom as much less meaningful in view of increasing comparable and better retirement systems in the private sector—in many instances with no cost to employees. New York City, for example, provides its employees with an annuity after 20 years of service.

In addition, based on a sample prepared by the Municipal Finance Officers' Association Committee on Public Employees Retirement Administration (AFCSME), the following municipal and county employees are enjoying similar retirement programs:

Baton Rouge, La.—normal retirement for after 30 years of service; age 55 with 25 years of service, or age 60 with 20 years of service.

San Diego County, Calif.—early retirement, 30 years of service or age 50 with 10 years of service.

Detroit, Mich.—early retirement, 25 years of service.

Los Angeles, Calif.—early retirement, 30 years of service or age 55 with 10 years of service.

Miami, Fla.—for early retirement, 20 years of service.

Hawaii.—early retirement for after 25 years of service.

Where the committee refers to normal retirement, an employee draws his full annuity and where the reference is made to early

retirement, there is an annuity reduction based on a flat percentage or by actuarial determination. In any event, the American Postal Workers Union opposes any reduction to an employee annuity as long as he has 20 or more years of satisfactory service.

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

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

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

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

APWU also wishes to commend you, Mr. Chairman, and your colleagues, Mrs. Spellman, Mr. Daniels, Mr. Harris, Mr. Mineta, Mr. Taylor, and Mr. Jenrette, for the sponsorship of H.R. 4260, which would restore full annuity where an individual with an insurable interest predeceases the retiree.

Mr. Chairman and members of the subcommittee, may we express our sincere appreciation for your interest in seeking a proper solution to the inequities presently in existing law, and for this opportunity you have given us to express our views on behalf of the more than 300,000 postal employees represented by the American Postal Workers Union (AFL-CIO) employed in post offices throughout the United States and possessions thereof.

SUMMARY

We believe, Mr. Chairman, that, really, the only criteria that should be used in voluntary or optional retirement of postal and Federal employees is the question of service.

We also believe that if we have 30 years of service, then our people should have the opportunity to retire if they desire to do so, without the very substantial reduction in their current annuity, which is, of course, 2 percent per year for each year under 55.

At the same time we recognize that your legislation would be a very important step forward by establishing for the first time the oppor-

tunity for postal workers to retire with 30 years of service, and having that option within the civil service retirement system.

As our sister organization also pointed out, we have a mandate from our union that ultimately the Congress of the United States, hopefully in the not too distant future, will permit the optional retirement of postal-Federal workers with perhaps 25 years of service, and, ultimately with 20 years of service.

And we certainly concur with the very unfortunate unemployment situation throughout this country and this would appear to be a very significant time to open up opportunities for younger people—who are unemployed, to come into the postal service as well as the Federal service, and once again be productively employed citizens of this great country of ours.

Mr. Chairman, I believe you mentioned that approximately 25,000 postal and Federal employees—I assume together—would be eligible to retire if the legislation is enacted.

Mr. WHITE. 100,000 would be eligible, but we anticipate only 25,000 would take advantage of it.

Mr. NILAN. I see.

Well, I join again with President Rademacher. I think you will find a substantial number of our people retiring if the opportunity presented itself.

Mr. Chairman, Brother Bowley and I will be happy to respond to any questions which you or Congressman Harris may have.

Mr. WHITE. Mr. Harris?

Mr. HARRIS. I would like to express my appreciation for your appearance. I think this is an important area.

I wonder if I could take just 1 minute to test some of the philosophy. I am a little bit concerned—not just in this area, but across our economy—that we have enough of 60-year-old, 70-year-old, 55-year-old people who are still very productive, and have a lot to contribute.

You have me concerned about moving in a direction of retiring all people, and putting them out to pasture too soon, and losing a lot of good experience and talent.

Mr. NILAN. Our philosophy, basically, is that the employee, and this is true with the trade unionist, but whether it is in the public sector, Federal sector, or private sector, we believe that working people should have the opportunity, certainly after 30 years of productive labor, to retire from the employment which they have been in for so many years, and avail themselves of any other prerogatives they may desire to take up.

I think the trend of the country is towards younger retirement, retirement at an earlier age, with many of the retirees taking up other interests, whether it is travel; whether it is the opportunity to spend more time with their families; perhaps even going into other types of endeavor if they so desire.

We have people, for example, in our organization that are college graduates who have not had an opportunity to use the particular talents that they have accomplished; not only attorneys, for example, but we have people in the various scientific fields, and they have not had the opportunity within Postal Service to use the type of education they have even with 30 to 35 years service.

So I share your philosophy, but, basically I don't think it is a question of them going out to pasture. I think it is mainly the basis of giving them the opportunity to seek other enjoyment, other ways of life, or other opportunities which they cannot avail themselves of at the present time.

Mr. HARRIS. I tend to agree with you somewhat, but let me test it again:

If the fact that the Federal Government takes the lead in the early retirement concept—whether it is 25, 30 or 20 years—are we not involved in a situation where the Federal Government becomes more or less a training ground for people in the private sector, and more of an income subsidy for employees of private sectors?

I am just thinking of the employee that comes into the Federal service at 20 years old, is able to retire out at 40, 45, 50 years old—that is a very, very young man. We run the risk, maybe, of setting up a sort of a young group of Federal service, and a more experienced, professional group in the private sector.

Would that be a problem?

Mr. NILAN. It could be, you know, there's really no way we could at this time project specifics into that area. But I can take this from personal experience:

Some of our people, friends of mine, for example, have either lost jobs at age 45, 48, 49, 52—particularly some of those in the area in which I live and they are having a very difficult time—and not just since the recession. I am thinking of 3 or 4 years ago—trying to get new employment at a reasonably good salary.

Several friends of mine I have tried to assist, because one was 49, another was 51; and they both took jobs much below their capabilities and their qualifications. And that is not in the recent unemployment situation, either; this goes back 3 or 4 years ago.

It is my impression that when you get up around 45 or 50, the private sector is not particularly looking for you to become an employee of their firm or organization. I think pretty well at that time, unless you have some outstanding talents, I don't think you are going to be available for any meaningful type of employment. But people could plan this, if they knew they were going to have the 30-year retirement, and particularly, if they didn't have to pay a penalty for retiring under, say, age 55.

I really don't believe it would be a serious problem on the labor market, because I think all these things would be operating at about the same level and even out.

I think, also the statistics of Mr. Rademacher—and we were not able to put them in our statement—demonstrate there is a trend in private industry, as well as in the public sector, for early retirement; so it might even have an evening-out or balancing effect.

Mr. HARRIS. This is the point.

Mr. NILAN. Now, then, among the postal workers we represent, we have a lot of postal workers who are not very happy working in the Postal Service these days, and who would like the opportunity to get out, because of either unfavorable working conditions, because of coming to work at 2 or 3 o'clock in the morning; and because of having to work Saturdays and Sundays and mostly nights.

Mr. HARRIS. They have my sympathy.

Mr. NILAN. They would like to get out, but they are locked in now. They cannot afford to throw in after 15 or 20 years. This is the big problem within our Postal Workers Union.

Mr. HARRIS. Mr. Nilan, thank you.

Mr. NILAN. Thank you.

Mr. WHITE. Thank you very much, Mr. Nilan, Mr. Harris.

Mr. Nilan, first I want to advise the membership that at 9:45 there will be a full committee hearing which may have a number of matters of interest to you all; but in the time before we adjourn, I would like to ask this:

Could you tell us, Mr. Nilan, what you think of the proposition I presented to Mr. Rademacher concerning military service, because this is one facet of the bill we are going to have to resolve.

Now, first, I will ask: Do you feel that in a 30-year period which we are considering here, that a retiree should be able to compute in his military time?

Mr. NILAN. Yes; Mr. Chairman, although I certainly don't believe he should have the opportunity under any proposal to use his military time both ways. Now, it is my understanding—and this is why I was listening very intently when you discussed it with Mr. Rademacher—it is my understanding that under the civil service laws and military pension laws, that you cannot use it both ways.

Am I mistaken in that? I thought if you used it for military retirement you could not use it for civil service retirement.

Mr. WHITE. This is something I want to resolve with counsel; I am not sure about that. Before we have the markup, we will have to have this reviewed.

Mr. NILAN. Whatever time you have, 20 years, for example, in the military and can retire, there is no way you can credit that or any part of it to make up the time necessary for civil service retirement.

Mr. WHITE. This is what we want to be sure about.

Now, what about a man who has had 19 years of service—19 years, 360 days—just to get him close to the deadline, and who does not get his military retirement program, and then he comes to work for the Government, say, at 19 years; and he works for the Government for 11 more years.

Should he then be able to attach his full time? Or do you think the bill should—as it does now—limit the number of years that a man can consider in completing his retirement with military service.

Mr. NILAN. Mr. Chairman, I think, if a military person has not been able to use his or her credit for a military pension or retirement—yes, that person should be permitted to use the military time for a civil service retirement, because I concur with your remarks about Mr. Tinsley. It is all Government service, and if they have not been able to use it one way, certainly, it would be unfair not to let them use it the other way.

Now, the question of paying for that 19 years credit is something else; and I think that consideration should be given—and maybe it is presently a part of law, I am not sure of that—the military should be required to make that contribution to civil service retirement sys-

tem for that time for the military man, since he does not make a contribution on his own.

Mr. WHITE. As I understand the law, a person retiring at age 55, his entire military time is allowed, presuming he doesn't use it for another program.

Mr. NILAN. Right.

Mr. WHITE. If we changed it and required a contribution, we would probably be—well, in the first place, we would be reaching back into an existing program, for one thing; No. 2, I think it is just a matter of one department paying for another department, when you get down to it, because it's all Government time.

Mr. NILAN. I could be corrected on this, because the law was enacted back in 1967 or 1969; but if I recall correctly—and again, your counsel may want to check into it more thoroughly—I believe that the military does have to make some contribution to the civil service retirement system for such creditable time. Now, I could be wrong on that.

Mr. WHITE. Well, we appreciate that. We can check that out. Does counsel have any questions?

Mr. McCLUSKEY. No, sir.

Mr. HARRIS. I had just one thought to ask you: How about having it work the other way? If Federal retirement would compute in military, how about having the military compute in Federal service, so that the guy can work either way?

Mr. NILAN. I certainly agree. We must be evenhanded, Mr. Harris; I think it should apply both ways.

Mr. HARRIS. Under a reciprocal notion, I think we should.

Mr. WHITE. The only problem is they have a 20-year retirement for more hazardous duty, and they might be able to compute in for a longer period of time. But I don't know that they would go the 20 years; the idea is to keep a young army, assuming they get "worn down" faster.

Mr. HARRIS. Either that or the philosophy my colleague expressed. Right now I just wonder—and I hope we can investigate carefully—I am familiar with GAO reports that say there may be duplicate benefits for a person with specific service; and I think if we are going to be responsible, we have got to make sure how we advise—not only that it is fair, but that it does not come up with a redundancy in benefits.

Mr. WHITE. Thank you very much, Mr. Nilan and Mr. Bowley. We appreciate both of you coming this morning.

We will adjourn; the mark-up is Monday. This does not mean that it will be reported out or that the bill will be completely marked up at that time. We'll try to hold it on schedule.

Mr. NILAN. May I just conclude by saying this is the first opportunity to appear before your subcommittee with you as chairman, and we are delighted to have you as chairman.

Mr. WHITE. Thank you very much.

The meeting is adjourned.

[Whereupon, at 9:40 a.m., the hearing was adjourned.]

[The statements which follow were received for inclusion in the record:]

ORGANIZATION OF PROFESSIONAL EMPLOYEES
OF THE U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 7, 1975.

HON. RICHARD C. WHITE,
Chairman, Subcommittee on Retirement and Employee Benefits, U.S. House of Representatives, Washington, D.C.

DEAR MR. WHITE: We appreciate very much the opportunity to include, as part of the record, the position of the Organization of Professional Employees of the U.S. Department of Agriculture on H.R. 5397. This bill proposes to amend Chapter 83 of Title 5 United States Code to authorize optional federal employee retirement after 30 years of creditable civil service. Early in the 1950's OPEDA was one of the employee organizations that introduced the concept of optional retirement without penalty at any age after completion of 30 years of creditable service.

In recent years the Congress and others seemed more interested in the "Magic 80" (any combination of the employee's age and creditable federal service that would total 80, i.e., 50 years old with 30 years of service, 60 years old with 20 years service, etc.). Since either proposal would encourage orderly and gradual transition of federal professionals by providing more opportunity for development of the younger professional work force and would provide needed flexibility and more equity in the administration and use of the federal employee retirement plan, we would support either concept.

We wish to congratulate you for introducing this legislation and for scheduling this series of Committee hearings. The offering of optional federal retirement after 30 years of service will permit many federal employees to retire when they feel that they have completed their effective public service. It will also provide retirement opportunities for those who feel their talents can be more productive in another endeavor, or for those whose specific skills are not now needed as program operations are revised or as specific program functions are phased out or for other factors which dictate that they make a change. It will also encourage the development of a younger work force with new ideas and youthful enthusiasm and energy.

In addition to providing a younger federal work force with new ideas more adaptable to changing conditions and demands, the early retirement will reduce the overall obligation and unfunded liabilities charged against the retirement fund. One year ago, at the request of the 93rd Congress Subcommittee, we submitted a set of tables which showed conclusively that the cost for early retirement, both annually and accumulative through the employee's life expectancy is less than the cost would be if the employee continues employment until reaching the eligible retirement age and service required by present law. Our studies were based on an average GS-11 employee with 30 years of service at age 50. It included all cost of living increases and pay comparability adjustments with life expectancy tables for both male and female employees. This data showed that an average GS-11 employee who retires at age 50 with 30 years of service would receive an average accumulated annuity which is approximately \$55,000 less for the life expectancy of the male and about \$75,000 less for the life expectancy of a female than the accumulated total annuity that would have been received by the same employee if the employee retired, when permissible, under present law (age 55 with 35 years of service). If the present 2% deduction in annuity for each year under age 55 was applied the savings would have been almost \$72,000 for the male and almost \$96,000 for the female. If you desire we would be happy to provide for the Committee's consideration the full details of our study.

There are two additional features or needs in retirement legislation that we recommend the Committee consider at this time. First, there are two sharp breaks between age and years of service to become eligible for permissible retirement. If H.R. 5397 would become law in its present form, an employee 59 years old with 29 plus years of service could not retire while a person 60 years old with 20 years of service could retire. Likewise a person 61 plus years with 19 plus years of service could not retire but a person 62 years old could retire with 5 years of service.

We would recommend that provision be made to provide for a graduated permissible retirement schedule starting at age 55. This schedule would permit a more logical and equitable retirement system without the drastic changes now encountered between ages 55, 60 and 62. We suggest that the required 30 years of creditable service between age 55 and 60 be reduced by 2 units (months or years)

for each 1 unit of age over 55. To illustrate, at age 56 an employee could retire with 28 years of service, at age 58 with 24 years of service and at age 60 with 20 years of service. For the ages 60 through 62, the eligible retirement years be reduced by $7\frac{1}{2}$ units for each 1 unit of age, i.e. (age 61 with 12.5 years of service.)

We also recommend that the Committee give serious consideration to reversing the present annuity payment formula. We suggest that the annuity be computed on a straight 2% for each 1 year of service for the first 30 years with a 1.75% for each year of service between 30 and 35 years of service and 1.5% for all service beyond 35 years with a maximum of 80% of the average annual salary. We suggest that the average annual salary used to compute the annuity base remain as is by continuing to use the present formula which is the highest annual salary determined for any 3 consecutive years of service.

There are several reasons for revising the formula. First, it would provide a more equitable annuity base for those who have the greatest need. This includes those employees with less than 30 years of service who are forced to retire either through disability or abolishment of their position, those starting a federal career late in life, and for survivors of employees who could not complete 30 years of creditable service. Second, it would encourage retirement after 30 years by reducing the premium for working a few more years in order to build up a larger annuity equity. Third, 2% comes nearer being comparable to most other federal retirement systems.

While we do not have adequate information to determine the additional costs that would be involved by this proposed change, as a maximum it would amount to about 3.75% annuity increase for all employees who retire with 30 or less years service but would decrease proportionately the annuity difference for all employees who retire after 30 years of service and would require an additional 7 month service (42 years, 6 months compared to present 41 years, 11 months) for persons to retire with 80% maximum annuity.

According to figures provided by the Civil Service Commission, the total retirement benefit payments for 1974 fiscal year (\$5.5 billion) are about \$950 million less than employee agency contributions and the interest earned on invested funds (\$6.485 billion). It has been reported that the annual benefit cost for the retirement currently amounts to about 13.1 percent of employee salary and is a very favorable ratio when compared with 14% employee agency contribution.

Since funds contributed and interests on investment funds exceed the retirement benefit payments, there should not be any unobligated liability incurred if the formula were to be reversed as we suggest. If, in the future, the accrued benefits should exceed annual income, we would recommend that the employee-agency contribution be increased to the extent necessary to keep the fund solvent and to avoid incurring an additional unobligated liability against the retirement fund.

In summary, we support the concept of 30 years service to establish eligibility for retirement with proposed improvements to eliminate illogical relationships in service requirements between ages 55, 60 and 62. A revision of the formula used to determine the base annuity which will produce increased benefits for the first 30 years of service and decreasing annual benefits for service beyond 30 years. We do not agree with the Civil Service Commission claim that early permissible retirement will in total increase the funds unobligated liability. We are not familiar with the procedure used by the Civil Service Commission to determine the fund liability but we submit that when total average claims of an individual is reduced the final and total liability against the fund should be reduced.

If the Committee desires, we will be glad to provide additional information on any of the items included in this statement.

Sincerely,

GEORGE E. BRADLEY, *Executive Director.*

STATEMENT OF VINCENT R. SOMBROTTO, PRESIDENT, NEW YORK LETTER CARRIERS,
BRANCH THIRTY-SIX, NATIONAL ASSOCIATION OF LETTER CARRIERS

Good morning Mr. Chairman and members of this distinguished subcommittee. The membership of New York City Branch 36, NALC, wish me, Vincent R. Sombrotto, their president, to extend their sincere appreciation and gratitude for

allowing their feelings, through me, on H.R. 5397 to be entered on the record today.

As President of the largest branch in the National Association of Letter Carriers, the question most asked of me by our members, is what's happening with retirement? I will not presume to speak for those 225,000 NALC members outside of Branch 36, for I am sure our national president, James H. Rademacher, has made his feelings felt on behalf of all NALC members.

Now while I feel your intentions are well demonstrated in H.R. 5397 and are certainly in the right direction, may I respectfully suggest that they do not go far enough, I will attempt to demonstrate through a series of reasons why H.R. 5397 should be amended to 25 years regardless of age at a 2½% per year computation.

Having been a Postal employee for 30 odd years and the president of Branch 36 during the last 4½ of those years, I feel I can speak with at least some authority on why a more liberalized retirement formula is so necessary.

First and foremost, since the passage of the Postal Reorganization Act in August, 1971, Postal management has found it necessary to introduce many innovations to increase productivity in its race to balance the budget. These innovations have led to a great stress and strain on employees of the USPS and led to a shocking and alarming increase in heart attacks and other job related injuries.

Of course, there might not be need for any retirement legislation, for if we continue on our present course, it is doubtful that any Postal employees will reach that stage where they would be eligible for retirement.

The fundamental principle of retirement is that after a man or woman in the USPS has served his/her employer honorably and faithfully for a great number of years, is entitled to the opportunity to retire and enjoy the fruits of their long, dedicated and arduous labor.

It is essential that modified and liberalized retirement legislation such as H.R. 5397 be enacted so that employees of the USPS might exercise their option to retire before the spectre of death and/or crippling injury fast overtakes them.

H.R. 5397 if amended to 25 years regardless of age would allow an opportunity for those 60,000 part time flexibles in the USPS to become full time employees. It would also open up job opportunities for those citizens who find themselves part of the great army of the unemployed. Another residual benefit of an early out retirement would be to those spouses of USPS employees who are now working. They would find it necessary to leave their employment and enjoy retirement together. This again would open job opportunities for many outside USPS.

I have seen reports of studies wherein facts and statistics were presented and conclusions were made that employees who have the opportunity to retire have not exercised that option. Those who are against passage of any legislation that would result in the lowering of the criterion for employees to retire, constantly make reference to these studies. My personal observation has been that those who do not retire, do solely simply because of economic reasons. This is to say that they find that the annuity that they would receive would be insufficient to sustain them. That is why a 2½% formula is so critical.

Any legislation that does not provide financial security and stability for those who would retire is as good as no legislation at all.

Opponents of any and all legislation designed to give USPS employees optional retirement at an earlier age continually make two basic arguments. One, there is no need for optional, regardless of age retirement because those employees in industries that have this type of retirement formula do not exercise the option; and two, that the cost factor if optional, regardless of age retirement is legislated is prohibited. The contradiction contained in these two arguments are obvious. If it is a fact that employees do not exercise the option to retire after a specific term of employment regardless of age, then naturally there would not be any hardship in terms of cost.

It seems to me that the option of whether any employee elects to retire must be solely his and his alone. Of course Mr. Chairman and other members of this distinguished subcommittee, you are well aware of those provisions in the Civil Service Retirement Act that allow for special dispensation for specific groups, such as Postal Inspectors (hazardous duty) and in point of fact, members of Congress who also might be classified as serving in hazardous duty.

The earlier references to stresses and strains, increased deaths, heart attacks and crippling injuries dictate that legislation allow for a 25 year retirement regardless of age must be passed.

I once again take this opportunity to thank you, Mr. Chairman White, and the other distinguished members of this Subcommittee for adding our views to the record. I am sure that your efforts will result in passage of a retirement bill that will allow for Postal and federal employees to retire in relatively good health and financial security so that they might enjoy their golden years.

STATEMENT OF ALAN J. WHITNEY, EXECUTIVE VICE PRESIDENT, NATIONAL
ASSOCIATION OF GOVERNMENT EMPLOYEES

Mr. Chairman, members of the subcommittee, my name is Alan J. Whitney. I am Executive Vice-President of the National Association of Government Employees (NAGE). The NAGE, which represents over seventy-five thousand employees throughout the Federal sector, has always taken a deep interest in legislation which would improve the Civil Service Retirement System.

We appreciate the opportunity to comment on H.R. 5397, a bill which would allow a government employee to retire after thirty (30) years of service, regardless of age. We are grateful to Congressman White, Chairman of this Subcommittee, for introducing and holding hearings on this needed legislation which would bring the Civil Service Retirement System more in tune with today's times.

Existing law provides that a Federal employee cannot retire under a regular retirement program unless meeting both age and service requirements, either thirty (30) years of service and fifty-five (55) years of age or twenty (20) years of service at age sixty (60). In our view, these criteria are not consistent with the escalating pace of production and the increasing mental and physical exertion of our modern industrial society. This is readily obvious upon contrasting the Federal retirement program with those in the private sector.

Today, more and more private industries are liberalizing their retirement plans to allow for greater flexibility and employee determination in deciding upon early retirement.

A 1970 Study of Industrial Retirement Plans completed by Bankers Trust of New York concluded: "Early retirement continues to be liberalized, over ninety percent (90%) of the pattern plans and over seventy-five percent (75%) of the conventional plans now permit early retirement at the employee's election. An evolving trend in pattern plans is to permit early retirement after a service requirement is met. In conventional plans, fifty five (55) is now the age requirement in sixty-seven percent (67%) of the plans, up from sixty-one percent (61%) of the last study. While the dominant service requirement continues to be ten (10) to fifteen (15) years."

This trend toward liberalized provisions for early retirement continues in the private sector. Surely, the same reasons behind this liberalization in the private sector, such as employees' desire to retire while still healthy, or a desire of the employee to pursue something less taxing than full employment, must hold for those employees serving thirty (30) years in the Federal service. What we are asking is that reasons for the trend of early retirement in the private sector be closely scrutinized, for the NAGE believes that the Federal employee, with regard to retirement, is no different than his or her private sector counterpart.

In fact, an "early retirement" plan after thirty (30) years would not be a substantially earlier retirement. Thirty (30) years indicates that an employee has dutifully served his time, and has given a full career to the government. We strongly feel that after thirty (30) years, an employee should be given the option of whether to continue with his Federal service or retire to a more leisurely life. Surely, such an alternative has been earned and is rightfully due the Federal worker.

Additionally, we feel that the Federal government as an employer stands to benefit by instituting a service requirement of thirty (30) years, as H.R. 5397 does. Employees who no longer possess an interest in their work, an employee who has a minor disability not sufficient to warrant disability retirement, or an employee who no longer wishes to keep up the hectic pace of government service would be allowed the option of retiring with dignity rather than resigning. This would permit the admission of more younger employees into the Federal service. Simply put, it would result in an overall gain in government efficiency.

A thirty (30) year service requirement with no age requirement would allow greater flexibility for both employee and employer. The retirement decision is truly an individual determination, and no single age is best for everyone. When an employee feels that his career is complete, and he no longer wishes to work, he should be allowed the flexibility and freedom of choice to decide this. A service requirement, as provided in H.R. 5397, allows for more individual flexibility which we feel is consistent with good management policy.

In conclusion, we would like to thank the Chairman and the Subcommittee for this opportunity to comment on this matter, as well as for the interest you have taken in addressing the issue. Clearly, such a change is warranted, and both employee morale and government efficiency stand to gain from passage of this bill.

Though the NAGE feels that a thirty (30) year service criterion should be lowered to a twenty (20) year service criterion which would be more in line with the ten (10) and fifteen (15) year service criteria of private industry, we urge the prompt passage of this legislation. We believe this legislation is a major step in the right direction.

Thank you.

NATIONAL FEDERATION OF PROFESSIONAL ORGANIZATIONS,

Washington, D.C., May 15, 1975.

HON. RICHARD C. WHITE,
Subcommittee on Retirement and Employee Benefits, Rayburn House Office
Building, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is presented in support of H.R. 5397, a bill to authorize retirement of Federal employees having 30 years of service. Our Federation is composed of the following organizations, representing 35,000 Federal professionals:

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

We commend the Subcommittee for its attention to this measure, which is of importance to Federal employees. We urge its approval.

Under present law, an employee may retire with 30 years service only if he is 55 years of age or older (or at age 60 with 20 years of service). The present bill would enable those employees who entered the Federal service at age 24 or younger to retire before they reach age 55.

The present law, which permits an employee to retire on an immediate annuity at age 55, with 30 years of service, has been virtually unchanged since 1942. In the last 30 years the views of our society with respect to retirement have changed considerably, but the minimum age for retirement for the Federal service has remained unchanged. Until 1966 an employee retiring before the age of 60 was required to take a reduction in his annuity of $\frac{1}{2}$ of one percent per month. This reduction was eliminated by Public Law 89-504, of July 18, 1966.

At the beginning of the 87th Congress in 1965, a large number of bills were presented to liberalize the Federal retirement system. President Johnson requested the Congress to delay consideration of these measures until he could have them examined by a special Cabinet Committee on Federal Retirement Systems. He created this Committee by memorandum of February 1, 1965, and the Committee issued its report to him on February 15, 1966. The Committee held extensive hearings, at which various Federal employee groups recommended retirement after 30 years of service at any age, retirement at age 50 with 30 years of service, extension of the special provision for retirement of law enforcement

personnel at age 50 with 20 years of service to other groups of Federal employees engaged in hazardous work, etc. The President's Cabinet Committee did not see fit to recommend any of these. It recommended only that in the future optional retirement at age 55 with 30 years service be with unreduced annuity. The Committee said that its recommendation "will accommodate the purpose underlying those various suggestions." To us, this is quite an overstatement. In fact, the Committee proposal did not alter the minimum retirement age at all.

President Johnson adopted the Cabinet Committee's recommendations and embodied them in proposed legislation providing for a salary increase, which he forwarded to the Congress on March 7, 1966. See 112 Con. Record 5014, March 7, 1966; House Document 402, 89th Congress, 2nd Session; Senate Document 14, 90th Congress, 1st Session. The proposed legislation was enacted as the "Federal Employees' Salary Act of 1966", Public Law 89-504. We point out that, as to retirement, this law did not alter the minimum retirement age of 55, with 30 years of service, which has now remained unchanged since 1942. The only subsequent liberalization has been with respect to air traffic controllers, firefighters, and those involved in a major reduction-in-force, who may now retire at age 50 with 20 years of service. So, at present, there are some groups, mostly those engaged in supposedly hazardous duties, who may retire when at age 50 with 20 years of service; for other Federal employees, the minimum age is 55, with 30 years of service.

We respectfully suggest to the Committee that the proposed reduction in Federal retirement age is fully justified. If H.R. 5397 were enacted into law, we would doubt that every Federal employee would retire as soon as he became eligible. We would expect that an employee less than 55 years of age and with 30 years of service who still retained his health and his enthusiasm for his work would prefer to continue, rather than to retire on reduced income. We understand that the privilege of retiring at age 50 with 20 years of service, now held by law enforcement officers, is not universally taken. At hearings held in 1972 before the Committee on Post Office and Civil Service with respect to legislation which would permit air traffic controllers to retire at age 50 with 20 years of service, or at any age with 25 years of service (Public Law 92-297), the Administration estimated that of those controllers becoming eligible for such optional retirement, only 15 percent would actually do so. In 1971, in testifying on H.R. 3592, a similar bill to authorize retirement after 30 years of service, the Civil Service Commission estimated that 25 percent of those who would become eligible to retire immediately would actually do so. However, retirement of employees with 30 years of service would make it economically feasible for employees with growing disability, declining capacity or interest, or obsolescent skills, to withdraw from active service, if they wished. It would aid female employees who started their Federal service in their teens or early 20's, who have served 30 years, whose husbands have retired, and who want to join him in retirement. It would be of benefit to agencies who want to be rid of an older employee with declining effectiveness, or inability to change, and who want to replace him with a younger man at a lower grade. Such a provision is meritorious and justified.

The only objection to this proposal comes from the Civil Service Commission. Its objection is based on (1) its usual dire estimate of cost and (2) the philosophical argument that it is in the national interest to utilize the experience of older employees, and also in their own interest, rather than to permit them to retire. As to cost, the Commission's estimate of a total cost of \$3,382.8 million is a conclusory allegation, without supporting data, and one that is impossible to examine for accuracy. The amount appears unbelievable. Mr. Tinsley, the Commission's spokesman, was more specific when opposing a similar bill in 1971. On September 21, 1971, the Subcommittee on Retirement heard testimony on three bills: H.R. 1266, to permit retirement when the combination of an employee's age and service totals 80 years; H.R. 3592, to permit retirement after 30 years of service; and H.R. 9303, to permit retirement at 50 years of age with 20 years of service, or at any age with 25 years of service, during an agency reduction-in-force. The latter bill emanated from the Civil Service Commission and was supported by Mr. Tinsley. He opposed the "sum of 80" and 30-year retirement proposals. The following exchange occurred between Congressman Chappell and Mr. Tinsley:

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

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

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

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

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

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

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

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

Mr. CHAPPELL. Which one is that now?

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

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

Mr. TINSLEY. Under the administration bill?

Mr. CHAPPELL. Yes; under the administration bill.

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

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

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

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

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

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

Mr. TINSLEY. Yes.

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

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

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

Mr. TINSLEY. The present monthly retirement rate?

Mr. CHAPPELL. Yes.

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

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

Mr. TINSLEY. About \$5,000 a month.

(Hearings on "Early Retirement Legislation" by the Subcommittee on Retirement, Insurance and Health Benefits, September 21, 1971, pp. 20-21.)

In other words, present retirements total approximately 60,000 per year; the 30-year proposal would add approximately 9,000 ($\frac{1}{4}$ of 37,000) the first year. After that, it would seem that the annual number of retirees would be the same as the number that would retire without the 30 year provision. That is, 60,000 persons, plus those who are eligible to retire at less than age 55 and who elect to do so during the year, less the number of such persons that availed themselves of that privilege in prior years. As to the effect of this on the Retirement Fund, those who elected to retire at less than 55 years of age would serve fewer years, and thus would deprive the Fund of their 7 percent contribution for the number of years between their age at retirement and age 55. However, they would be replaced by other employees who would contribute 7 percent. Also, those who retired at an age less than 55 would draw benefits for a longer number of years, but this would be offset, wholly or in part, by the fact that they will receive a smaller annual annuity. To approach it from another aspect, the bill would permit immediate retirement of 37,000 persons the first year, of whom 9,000 may be expected to accept. These are persons who entered the Federal service between the ages of 18-24 and who would retire between the ages of 48-54, or at an average age of 51. These 9,000 persons would draw a pension for an average period of four years before age 55, at an average amount of \$325 per month. The total gross amount of this would be \$144 million, which would be partially offset thereafter by the fact that they would retire on 30 years of service, rather than 34 years of service, and would be receiving a smaller annuity. How this can be inflated to a total cost estimate of \$3½ billion is beyond comprehension.

The Civil Service Commission's further argument that it is in the national interest to prevent older persons from retiring is a regressive philosophy which,

we hope, will never be adopted by the Congress. We think the congressional policy should be, and is, to improve the quality of life for our older citizens. Also, we point out that there is need to liberalize the retirement age, both in the government and in the private sector, to make room for the millions of younger people who are getting out of high school and college every year, and who cannot all be absorbed into our present economy. As to the further argument that it is of "psychological importance" to keep older employees engaged in useful work, we point out that the bill does not require employees to retire after 30 years of service, it only permits them to do so, if they wish, and as the Civil Service Commission has itself observed, it may be expected that only one-fourth of them will do so.

It seems to us that it is grossly inconsistent for the Commission in 1971 to have supported retirement at age 50 with 20 years of service, or at any age with 25 years of service during a reduction-in-force, and in 1972 to have supported early retirement for air traffic controllers at age 50 with 20 years of service, or at any age with 25 years of service, and on the other hand to oppose the present bill. The philosophy and intent of all these measures is similar. The only difference in these situations that we can perceive is that the first two proposals emanated from the Civil Service Commission, and the present proposal emanates from the Congress.

We respectfully suggest that the Commission's objections are specious. The present proposal is meritorious, and deserves the support of the Congress.

If, for any reason, H.R. 5397 as presently drafted does not meet with the Subcommittee's approval, we suggest a modified proposal that would be of benefit to many employees. That is, that employees be permitted to retire between the ages of 55 and 59 with a declining service requirement. We suggest that Federal employees should be permitted to retire at 55-30, 56-28, 57-26, 58-24, and 59-22. This would provide justice for many employees who are now caught in a "no mans land" between the present requirement of 55-30 and 60-20.

We also take this occasion to support the suggestion of Dr. Wolkomir that the Subcommittee sponsor legislation to exempt Civil Service survivor annuities from state inheritance taxes. At present, some states tax the commuted present value of Federal Civil Service survivor annuities, and some do not. For example, the District of Columbia does, and the State of Virginia does not. Where taxable, the survivor must immediately pay a state tax on the total amount of annuity that she will receive if she survives to her life expectancy. It is payable even though she dies immediately after her husband. It is possible that the tax may exceed the total amount that she receives. She must pay the entire tax within several months, before she has received any substantial amount of annuity, out of her other assets. The Civil Service Retirement Act was intended to benefit retirees and their surviving spouses, not state treasuries.

We greatly appreciate the Committee's interest in this subject.

Respectfully submitted,

JAMES D. HILL,
Executive Director.

NATIONAL ASSOCIATION OF POSTAL SUPERVISORS,
Washington, D.C., May 19, 1975.

Hon. RICHARD C. WHITE,

Chairman, Subcommittee on Retirement and Employee Benefits, House Post Office and Civil Service Committee, House of Representatives, Washington, D.C.

DEAR MR. WHITE: This statement, in support of H.R. 5397, is submitted on behalf of the National Association of Postal Supervisors.

More than 34,000 of the approximately 38,000 supervisors in the postal field service are members of N.A.P.S. our members are employed in post offices, branches, stations, motor vehicle facilities, bulk mail centers, and all other mail handling facilities in the field service. We have members in all fifty states, Guam, Puerto Rico and the Virgin Islands.

The Postal Supervisors strongly support the provisions of H.R. 5397. The latest expression of our Association on this issue was adopted as a resolution during our last national convention:

WHEREAS, An employee with 30 years of service who retires under age 55 is now penalized with deductions to his annuity, be it

RESOLVED, That we go on record as favoring an amendment to the retirement act to provide for optional retirement at full annuity after 30 years of service, regardless of age, the option to be exercised by the employee only.

Retirement is a right which is earned by employees, and an employee with 30 years of service should not be deprived of this earned right by imposing age barriers. In addition to permitting employees to enjoy the rights earned by long years of employment, the bill would also have the effect of providing more jobs to be filled by younger people. In this period of high unemployment, this benefit of the proposed change is of particular importance.

As stated in the resolution, an option to retire after 30 years of service should be exercised by the employee only. Many of our supervisors would not choose to retire at age 55 even if they could do so with full benefits. These supervisors should, as provided by the bill, be permitted to continue their employment.

Although the bill would be a step in the right direction, two modifications would improve the bill considerably. First of all, all active military service should be fully creditable toward the thirty years. It would be a mistake to change in any way the current practice of permitting full credit for honorable active military service.

Secondly, retirement with full benefits should be permitted after thirty years of service regardless of the age of the employee. The rationale of the bill is that an employee should be permitted to enjoy retirement benefits once he has earned them, and there is no reason to set an arbitrary limit of 55 years of age.

In summary, the changes provided for in the bill, with our suggested modifications, would cure the problem of prohibiting employees from exercising an earned retirement option, without permitting employees to be forced out of the service involuntarily. The net effect would be beneficial not only to the employees involved, but to the economy as a whole by permitting increased employment opportunities.

We appreciate this opportunity to state our position on this matter.

Sincerely yours,

DONALD N. LEDBETTER,
President.

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH,
Washington, D.C., May 29, 1975.

HON. RICHARD C. WHITE,
Chairman, Subcommittee on Retirement and Employee Benefits, Committee on Post Office and Civil Service, House of Representatives, Washington, D.C.

DEAR MR. WHITE: At a hearing before the Subcommittee on Retirement and Employee Benefits on May 6 concerning H.R. 5397, a bill to provide retirement benefits after 30 years of service, Congressman Daniels asked if the Commission had any statistics as to the number of persons who withdraw from the service before reaching 30 years of service (page 23 of reporter's transcript).

The following table shows the proportion of new employees who leave service without receiving an immediate annuity. The information it contains confirms that conveyed in my general reply to Congressman Daniels at the hearing.

PROPORTION OF EMPLOYEES LEAVING SERVICE WITHOUT AN IMMEDIATE CSR ANNUITY

[In percent]

Years of service	During period	Cumulative
Before 5	53.3	53.3
5 to 9	10.8	64.1
10 to 14	4.3	68.4
15 to 19	1.8	70.2
20 to 24	1.0	71.2
25 to 29	.5	71.7
30 and over	.2	71.9

Sincerely yours,

THOMAS A. TINSLEY,
Director.

NATIONAL FEDERATION OF FEDERAL EMPLOYEES,
Washington, D.C., May 15, 1975.

Hon. RICHARD WHITE,
Chairman, Subcommittee on Retirement,
U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN WHITE: Reference is made to page 65 of the testimony hearing on H.R. 5397. You had requested statistics as to how many civil service employees go into the service under the age of 20. We recently checked the statistics with the Civil Service Commission and as of September, 1973, report the figure is approximately 35,000. We are led to believe that this figure has remained constant for several years.

Respectfully submitted,

N. T. WOLKOMIR,
President.

PUBLIC EMPLOYEE DEPARTMENT AFL-CIO,
Washington, D.C. May 14, 1975.

Mr. Chairman and members of the subcommittee, The Public Employee Department, AFL-CIO, desires to endorse the bill the Chairman has introduced—H.R. 5397—permitting postal and federal employees to retire after 30 years of federal service on full annuity, regardless of age.

Twenty-nine AFL-CIO national and international unions comprise the Department. Together, they represent a broad cross-section of individuals employed by the Federal Government, Postal Service and various state and local government jurisdictions.

Under the present Civil Service Retirement Act, the normal retirement age is 55, with 30 years of service.

Certainly, we can all agree that 30 years in the employ of a single government entity constitutes a full working career. While there are exceptions in which individuals spend 40 or 50 years with one employer, they are just that—exceptions. When an employee spends a normal working lifetime in federal service, it is our considered judgment that he or she should be able to discontinue that employment with a prospect of reasonable financial security.

As the pace of production accelerates in federal agencies, increasing physical and mental effort is required of employees. Particularly where individuals are assigned jobs involving a large degree of physical activity, their condition is likely to deteriorate more quickly. Even in sedentary occupations, where a great deal of mental concentration is required, people undergo stress, which tends to shorten their careers. In each of these instances, physical or mental impairment may not be sufficient to warrant disability retirement, but the employees may wish to retire at an earlier age to preserve their health.

In recent years, there has been increasing emphasis on maintaining federal service with the lowest level of employees consistent with efforts to reduce the budget. This has necessitated reductions in force and reorganizations in federal agencies.

Under these conditions, it will benefit both the workers and the government as an employer to permit retirement with full benefits at an earlier age to permit younger individuals to enter government service.

The concept of retirement with full benefits for federal employees with 30 years of service to retire at any age is not new. During the disastrous economic depression our country experienced in the 1930's, Congress approved legislation allowing this type of retirement for federal workers. While the economic situation today is not as bleak as it was 45 years ago, the rationale of earlier Congressional action applies with equal force in 1975. The object then was to provide an incentive for federal workers with long years of service to retire so that their jobs would be available to younger men and women with family obligations, who were in financial straits.

The trend generally has been towards earlier retirement. Some years ago, Congress approved full Social Security benefits for women at age 62, and an opportunity for men to obtain reduced benefits at the same age. This action marked a distinct departure from the 65-year age limit contained in the Social Security Act since 1936.

In addition, a significant and growing number of municipalities which permit employees to retire with full benefits after 30 years of service or less, are to be found.

In summary, then, both the private and public sectors are recognizing the value of allowing workers to retire at earlier ages without any reduction in benefits.

The Public Employee Department believes that H.R. 5397 is highly meritorious legislation, and urges early, favorable action by the Subcommittee.

JOHN A. MCCART,
Executive Director.

SUMMARY OF RECOMMENDATIONS ON H.R. 5397

Mr. Clyde M. Webber, National President, American Federation of Government Employees, May 7, 1975:

1. Abolish annuity reduction based on age.

(a) Establish retirement after 30 years service with full annuity regardless of age.

(b) Establish full annuity for retirement in a formula of a combination of 80 years of age and service.

(c) Allow employee separated in a reduction in force situation who has 20 years of federal service a reduced annuity, even if he is not 50 years old.

Mr. Nathan T. Wolkomir, President, National Association of Federal Employees, May 7, 1975:

1. Recommend 6 points for improvement of retirement system.

(a) Government employees be permitted option of retirement at full annuity after 30 years of service at a minimum age of 50.

(b) Enactment of legislation to obtain a calculation factor in the annuity formula based on actual "high three" aggregate salary rather than base pay.

(c) Enactment of legislation granting optional social security coverage with retention of the Civil Service retirement system as a separate entity.

(d) Enactment of legislation exempting annuities under the Civil Service retirement laws from federal and state income and inheritance taxes.

(e) That procedure be developed between the Civil Service Commission and the Federal Agencies whereby an application for retirement may be sufficiently ahead of the effective date so that payment of annuities will actually begin on the first day of the month following the specified date.

(f) Full service creditation to the National Guard Technicians for their service within the National Guard prior to January of 1969.

Mr. James H. Rademacher, President, National Association of Letter Carriers, May 8, 1975:

1. Establish full annuity after shorter period of service.

(a) Make retirement possible after 25 years service with full annuity, regardless of age.

(b) Allow service years acquired in the military to be applied towards annuity in Civil Service.

Mr. Patrick J. Nilan, Legislative Director, American Postal Workers Union, AFL-CIO, May 8, 1975:

1. Abolish age limit for full annuity.

(a) Make retirement with full annuity possible after 30 or less years of service regardless of age.

b. Allow service years accrued in the military to be applied toward annuity in Civil Service and vice-versa.

2. Perhaps have provision stating that the military contribute to annuity for ex-serviceman who joined Civil Service and retired as Civil Service employee.