

Y 4
. P 84/10

1022

9444
P 84/10
94-31

94-31

ALLOTMENT OR ASSIGNMENT OF PAYMENTS FROM CIVIL SERVICE ANNUITIES

GOVERNMENT

Storage

DOCUMENTS

1975

✓

425444 009TTA

11600 744324

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
EMPLOYMENT AND EMPLOYEE BENEFITS
OF THE
COMMITTEE ON
OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
NINETY-FOURTH CONGRESS

FIRST SESSION
ON

H.R. 6642

A BILL TO PROVIDE FOR ALLOTMENT OR ASSIGNMENT OF
PAYMENTS FROM CIVIL SERVICE ANNUITIES AND FOR OTHER
PURPOSES

JULY 8, 9, AND 10, 1975

Serial No. 94-31

Printed for the use of the Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1975

55-994

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

DAVID N. HENDERSON, North Carolina, *Chairman*

MORRIS K. UDALL, Arizona, *Vice Chairman*

DOMINICK V. DANIELS, New Jersey

ROBERT N. C. NIX, Pennsylvania

JAMES M. HANLEY, New York

CHARLES H. WILSON, California

RICHARD C. WHITE, Texas

WILLIAM D. FORD, Michigan

WILLIAM (BILL) CLAY, Missouri

PATRICIA SCHROEDER, Colorado

WILLIAM LEHMAN, Florida

GLADYS NOON SPELLMAN, Maryland

STEPHEN L. NEAL, North Carolina

HERBERT E. HARRIS, Virginia

WILLIAM M. BRODHEAD, Michigan

PAUL SIMON, Illinois

NORMAN Y. MINETA, California

JOHN W. JENRETTE, Jr., South Carolina

STEPHEN J. SOLARZ, New York

EDWARD J. DERWINSKI, Illinois

ALBERT W. JOHNSON, Pennsylvania

JOHN H. ROUSSELOT, California

ANDREW J. HINSHAW, California

JAMES M. COLLINS, Texas

GENE TAYLOR, Missouri

BENJAMIN A. GILMAN, New York

ROBIN L. BEARD, Tennessee

TRENT LOTT, Mississippi

JOHN H. MARTINY, *Chief Counsel*

VICTOR C. SMIRLODO, *Staff Director and Counsel*

THEODORE J. KAZY, *Associate Staff Director*

ROBERT E. LOCKHART, *Counsel*

ROY C. MESKER, *Senior Staff Assistant*

J. PIERCE MYERS, *Assistant Counsel*

DAVID MINTON, *Associate Counsel*

SUBCOMMITTEE ON RETIREMENT AND EMPLOYEE BENEFITS

RICHARD C. WHITE, Texas, *Chairman*

DOMINICK V. DANIELS, New Jersey

HERBERT E. HARRIS, Virginia

GLADYS NOON SPELLMAN, Maryland

NORMAN Y. MINETA, California

JOHN W. JENRETTE, Jr., South Carolina

MORRIS K. UDALL, Arizona

GENE TAYLOR, Missouri

ROBIN L. BEARD, Tennessee

Ex Officio Voting Members

DAVID N. HENDERSON, North Carolina

EDWARD J. DERWINSKI, Illinois

(Ronald P. McCluskey, Assistant Counsel, Room B-345(d), Rayburn Building—Ext. 56831)

(II)

CONTENTS

Statement of—	Page
Hill, James, executive director, National Federation of Professional Organizations-----	15
McClelland, John F., National Association of Federal Employees, accompanied by Judy Park-----	13
Rainwater, Rial M., president, National Rural Letter Carriers Association, accompanied by Mr. Miller, vice president of NRLC; and Mr. Starkey, secretary-treasurer of NRLC-----	25
Sadler, Carl K., American Federation of Government Employees, accompanied by Robert K. Salyers-----	8
Tinsley, Thomas A., Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission-----	1
Administration reports received from—	
Office of Management and Budget-----	30
Civil Service Commission-----	29
Copy of H.R. 6642-----	28
Summary of Recommendations-----	IV

SUMMARY OF RECOMMENDATIONS ON H.R. 6642

Thomas A. Tinsley, Director, Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission; Tuesday, July 8, 1975:

- (1) Annuitants should not be permitted to make allotments from their annuities for general private debts.

Carl K. Sadler, American Federation of Government Employees, Tuesday, July 8, 1975:

- (1) Incorporate language in H.R. 6642 to specify that allotments from Federal salaries which are considered appropriate shall also be considered appropriate allotments from Federal annuities.

James Hill, National Federation of Professional Organizations, Wednesday, July 9, 1975:

- (1) Add provision to H.R. 6642 to allow annuitant to make allotments for dues for professional organizations.

ALLOTMENT OR ASSIGNMENT OF PAYMENTS FROM CIVIL SERVICE ANNUITIES

TUESDAY, JULY 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 305, 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. 6642.

Under present law, specifically, Public Law 87-304, a Federal employee may provide for allotment and assignments of payments from his paycheck for such things as banks, insurance, dues to Federal labor organizations or Federal professional societies, et cetera. But the employee is unable to carry his allotments over into retirement because of section 8345 of title 5, United States Code.

H.R. 6642 would amend the present law relating to Federal annuities to allow a Federal retiree to have the same allotments deducted from his annuity check, if he so desires, as he had deducted from his paycheck as an active employee. Thus, in effect, this bill would make life a little easier for our retirees, especially in their elderly years; and this, of course, is a goal we pursue whenever possible.

To begin these hearings we shall hear first from Mr. Thomas A. Tinsley, Director of the Bureau of Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission. Mr. Tinsley, good morning. You may proceed.

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

Mr. TINSLEY. Thank you, Mr. Chairman. My statement on this proposed legislation is very brief. At the present time, the Commission does not believe it has authority to withhold other than for health benefits, life insurance, and voluntary income tax withholding from the annuities of individuals on the retirement rolls even though those individuals may wish to have deductions made and during their entire working careers have had deductions made for various purposes. Your bill would give the Commission very clear authority to, within its discretion, enable those individuals to provide for various allotments or assignments from their retirement annuities. This particular piece of

legislation, we believe, is long overdue. The retirees should be treated no different than employees on the active rolls. And we would therefore urge favorable consideration of this bill by the Congress, Mr. Chairman.

Mr. WHITE. That just about says it all; doesn't it, Mr. Tinsley.

Mr. TINSLEY. I am pleased to be able to come before the committee and urge favorable action on a piece of legislation. It isn't very often that I have that opportunity.

Mr. WHITE. So what you are saying to us is that you see no changes that should be made in the bill whatever as it now stands.

Mr. TINSLEY. The bill as written seems to give us pretty broad authority. The section says, as I read it, "Sole discretion in deciding the purpose for which allotments are considered appropriate."

Mr. WHITE. Let's talk about that appropriateness. Do you feel it is appropriate for an annuitant to allocate certain portions of his annuity for banks?

Mr. TINSLEY. The active employee has such a right to place an allotment to the credit of his account in a savings or a banking institution, yes, Mr. Chairman.

Mr. WHITE. How about membership in unions, employee unions?

Mr. TINSLEY. Certainly one of the big advantages of this bill would be withholding dues to permit these annuitants to continue membership in one of the unions. One of the purposes would be to continue their health insurance; and since membership is a condition of carrying the health insurance, certainly this would be of great benefit to those individuals.

Mr. WHITE. Do you know of any privileges that an active employee has in terms of allocations or withholding of his pay that an annuitant should not have in withholding of his annuity?

Mr. TINSLEY. That an annuitant should not have?

Mr. WHITE. Yes.

Mr. TINSLEY. No. Mr. Chairman. I think they should be treated alike.

Mr. WHITE. I think that generally covers the point I had. Mr. Harris?

Mr. HARRIS. I have no questions.

Mr. WHITE. Mr. Tinsley, just one second, sir.

Mr. McCLUSKEY. Mr. Tinsley, the committee has been receiving a lot of letters from different organizations, mainly professional organizations, that would like to have dues subtracted from active employees as well as annuitants. In researching this problem the committee finds that in 1965 this was allowed by Chairman Macy and went on to 1971 until the Commission changed its regulation thereby permitting only union dues. It would seem to me that under the Federal labor standards imposed on agencies of the Government not to encourage or discourage union membership, by limiting dues to labor organizations seems to be an indirect way of encouraging one organization and discouraging membership in another.

Mr. TINSLEY. I am not certain I can respond to your question with absolute certainty. But I believe what you will find is with the growth of labor management relations and with provisions being made for elections to be held in the various units of Government, that there are various types of representation and recognition for labor unions and in terms of negotiations, labor management negotiations between the

management of the agency and the union that the employees choose to represent them. And one of the items, and there are not that many items that are negotiable in terms of bread and butter in the Federal service today, but one of the items that is negotiable is dues withholding. Therefore I think you will find that in many instances some of these practices of having only the union or organization with exclusive recognition took place or came about. I may be partially off on that. But I think that is one of the things that contributed to it.

Another thing, and I don't know what transpired in the minds of the Commission in 1971, but you would have to be extremely careful about how far you went or how you define an organization. Otherwise you would have organizations being created only for the purpose of dues withholding.

Mr. McCLUSKEY. What does the Commission use as a criteria of subtracting dues—the size of an organization?

Mr. TINSLEY. In part I believe that is it. I am not certain, and I am not that familiar or expert on the criteria used. But largely today it is based almost entirely on labor management agreements.

Mr. McCLUSKEY. The only thing I am concerned about and don't get me wrong, I don't discourage membership in labor organizations; but at the same time the volume of letters we receive from members who do not wish to join the union but instead join Federal societies or the like, it would seem to me there is some type of indiscriminate discrimination.

Mr. TINSLEY. This law would not prevent us in the retirement area from withholding for the purpose of anyone. However, I do believe that in establishing criteria, we want to at least have an organization or withholdings of a certain size. We certainly would not want to become involved in keeping accounts into the thousands or for withholding on a roll of over a million for the benefit of some 15 people.

Mr. WHITE. Mr. Mineta?

Mr. MINETA. No questions.

Mr. WHITE. Mr. Daniels?

Mr. DANIELS. Mr. Tinsley, I note that at the bottom of the first page of your statement that the Commission receives many requests from annuitants who have deductions withheld from their annuity checks for various purposes, and you did outline certain purposes such as, for example, savings bonds, union dues, National Service life insurance premiums. Do you think there are any other reasons by which a retiree might voluntarily request a withdrawal? Would you suggest any other matters or items?

Mr. TINSLEY. Methods other than our withholds?

Mr. DANIELS. Not methods so much but any other items to be withheld.

Mr. TINSLEY. These are the predominant reasons that we receive. There are also requests we receive to pay their private life insurance. Many of these individuals particularly the older ones have problems remembering when their premiums come due. We have recently encountered, and by recently, within the past 2 years, a number of requests and many of these come from the individuals themselves who have been divorced who would like to make an allotment in order to honor the court order. Or in many instances it is a very amicable settlement in order to pay some support to his children or to his ex-wife. In part Congress has provided a mechanism now for doing that when

it amended the Social Security Act where now in response to a court order we can withhold from the individuals retirement annuity payments for alimony and child support. But in that instance you need a court order.

Mr. DANIELS. Would you extend that to counsel fees, too, that the court order may provide for?

Mr. TINSLEY. I don't believe the Justice Department regulations now provide for counsel fees.

Mr. DANIELS. In honoring a court order, do you think it would be fair and reasonable to expect it to cover all of the charges provided for in the court order which would include not only alimony, support for children, but also counsel fees that had been awarded by the court and provided for in the order?

Mr. TINSLEY. In my personal judgment, yes, if the order so provided.

Mr. DANIELS. What is your opinion so far as payments of debts if requested by the retiree?

Mr. TINSLEY. This again becomes a rather difficult area. Traditionally not only the retirement law, but other laws, including salary laws, did not provide for assignments. It did not provide for anyone paying a judgment and being able to collect other than the recent one that I mentioned. If this were in the nature of a loan, I would have no difficulty with it. But if we become involved in doing the personal accounting and handling of the books of an individual whereby he would tell us "Pay the Hecht's Company \$25 a month until I tell you to stop." I think we would be assuming a function that would not be intended and that we should not bear the cost for.

Mr. DANIELS. Is it fair to characterize your testimony, then, that you would be opposed to the payment of general debts of a retiree?

Mr. TINSLEY. Yes. Other than something like a bank loan or a credit union arrangement.

Mr. DANIELS. I think when you talk about a bank loan, you are getting yourself into trouble.

Mr. TINSLEY. I agree. But right now an individual very well—an employee very well—can be paying off a bank loan through the use of the current authority by just having a check sent to that bank every month, and it goes into his account. The bank, in turn, has the authority to transfer that to the payment of his loan.

Mr. DANIELS. That is presently being done by law?

Mr. TINSLEY. Yes; not in the retirement area but certainly in the general area. Many life insurance premiums in the general area are being paid by the establishment of, in effect, an account in a bank. The individual authorizes the payment to the bank. He does not say it is for life insurance. He does not say anything other than the fact that he is putting it into a savings account.

Mr. DANIELS. Let's take a hypothetical situation. A person goes to Hecht's department store and buys furniture for his home; say, it is a newly established home and incurs an obligation of \$2,500. They go to a bank to finance it. Then the bank applies to the Civil Service Commission or to the retirement section of it asking for reimbursement. Would you honor a claim of that nature?

Mr. TINSLEY. No. We would not. The individual would have to come in a fill out a request that a certain amount of money be sent to, let's say, the Washington National Bank or the Madison National Bank,

whatever bank it might be. He would not have to state the purpose that that was going to. He would give us the account number, and the money would go to that bank. What the bank did with that money and what he did with that money would be a matter between the bank and him.

And what is happening in many instances is that the bank has on file their authority to transfer a certain amount of that money into that account on certain dates to another account. It can be a loan account. In some instances it is an account that is an insurance account, an insurance company account where the money is transferred over to.

Mr. DANIELS. Well, a retiree could go to a number of banks to finance different obligations; and as long as that retiree came in and signed an authorization assigning *x* amount of dollars to pay to each bank, you would honor that request?

Mr. TINSLEY. We would limit the number of requests.

Mr. DANIELS. How would you do that—by law?

Mr. TINSLEY. By regulation, I believe right now in the salary area, you can only have a maximum of five.

Mr. DANIELS. You could get yourself in trouble because you would be called upon to determine which bank to honor and which not to honor.

Mr. TINSLEY. No. We would ask the annuitant to tell us which bank to honor and which not to honor. We would not do it in terms of which banks, we would do it in terms of the number of allotments he could have to banks.

Mr. DANIELS. Do you think it would be wise if we permit this law to be extended to pay allotments from a retiree's check to limit the percentage of allotments to be made?

Mr. TINSLEY. I don't know that it would be wise to do that by law. And I am not certain that it would be wise to do it by regulation. Certainly now if the individual is receiving \$500 a month, it is his \$500. If he wants to have that \$500 sent to one bank, we will do it; or if he wants to have two or three allotments and have it sent three places. So I don't think I would limit it in terms of the amount. I think it should definitely be limited in terms of the number of allotments that he can make.

Mr. DANIELS. Well, I can envision a situation where a retiree may, because of a lack of proper judgment, get himself or herself involved in a situation whereby they could get themselves hopelessly in debt, and consequently it would require their whole annuity to satisfy these obligations, perhaps, for a long and indefinite period of time. The primary purpose of the annuity is to provide for and care for the retiree in his retirement days so he can live with respect and dignity.

Now we might be getting away from that principle if we permit him to assign his entire check.

Mr. TINSLEY. Right now, the individual can have his whole check sent to a bank, not part. But right now a great many individuals exercise, and the Treasury Department encourages, the sending of checks to banks. And the very thing that I mentioned earlier could happen in the existing situation without this law.

The individual has sent to the bank his entire annuity. The bank then could very well have arrangements with him and statements, power of attorney, and transfer authority from him.

That would immediately transfer this money in toto to various other accounts including the payment of debts. So this can happen right now. In fact there is more of a chance of it happening right now where the entire check goes than there would be under this legislation.

Mr. DANIELS. I don't want to monopolize all the time, so I will limit myself to one more question.

Under the present law, a garnishment is not permitted on a retiree's check?

Mr. TINSLEY. No, Mr. Daniels, that only garnishment that is permitted is under court order for the payment of alimony for child support.

Mr. DANIELS. That is not a garnishment. I refer to a situation when a judgment has been obtained, and they issue what is known as an execution or garnishment on the salary.

Mr. TINSLEY. There is no garnishment, no.

Mr. WHITE. Recently Congress passed a measure permitting garnishment of social security, as I understand.

Mr. TINSLEY. It was not garnishing in the strict legal sense. It was garnishing if you expand it to the extent under court order for alimony and child support, and it was an amendment to the Social Security Act. However it was worded so broadly that it was applicable to every other Government retirement system.

Mr. WHITE. Exactly. So in answer to Mr. Daniel's question, an annuity check could be garnished?

Mr. TINSLEY. Only for those purposes.

Mr. WHITE. Mr. Daniels?

Mr. DANIELS. I have no further questions. Thank you, Mr. Tinsley.

Mr. WHITE. Mr. Mineta?

Mr. MINETA. Thank you, Mr. Chairman. Mr. Tinsley, as I understand it, various allotments had been allowed in this period from 1965 to roughly 1971, and then that was discontinued. Since under this bill we would be giving the Commission sole discretion in making these kinds of judgments as to what kinds of allotments and numbers and et cetera can be made, is there any criteria that were established at that time in 1965? Is that something that you might be able to submit to the committee for its perusal?

Mr. TINSLEY. I will submit that to the committee. However, I might point out, Mr. Mineta, that the situation we would be dealing with here is different than the situation that the Commission in 1971 and the Commission currently today is dealing with in terms of active employees. Many of the things that have occurred particularly in the dues withholding area as to who has the right to dues withholding involved labor management relations. They involved negotiations between unions and management.

In our situation although we have organizations like the National Association of Retired Federal Employees, we are not in a labor management situation per se. What I am handling is a retirement roll of over 1,300,000 at the moment. It involves widows, former employees of various types, some of whom have never been a member of the union,

various professionals. So the same ground rules that apply to the salary would not necessarily have to apply here.

In my own mind I would find it difficult to say that you are entitled to three withholds or five withholds. I think we would have to recognize organizations such as the National Association of Retired Federal Employees, and I think we would have to recognize other organizations. I don't think in the retirement area we can limit it as has been done in the employee area because a great many limitations were placed there by virtue of a negotiation between union and management, and many times rival unions fought for that privilege.

Mr. MINETA. Thank you very much.

Mr. WHITE. I have a few questions further myself.

Mr. Tinsley, is it possible for the Commission presently to refuse any individual allotment or do you have to go to categories?

Mr. TINSLEY. In the active service?

Mr. WHITE. Yes.

Mr. TINSLEY. Yes. The criteria indicates there are only certain purposes for which allotments can be made. The criteria also limits the number of allotments that you can make.

Mr. WHITE. Do you think this is what the Civil Service Commission would do if this passes?

Mr. TINSLEY. We would be forced to limit the number of allotments for two reasons. One, initially, we would be certainly forced because of our current computer capability. We are up to almost maximum use of relatively old computers we are in the process of replacing, and it takes a year or two to replace computers. So we would be limited from that extent in terms of numbers. Even if we were not limited, if we had hardware capability to do almost anything, I still believe that we would probably limit it in terms of the number of allotments so we would not get into the business of doing a lot of personal bookkeeping for individuals or for organizations.

Mr. WHITE. Do you feel that under your present computer capability that you are able to absorb without any great difficulty the passage of a bill of this nature if, say, there were some limitations on the number of allotments that would be allowed?

Mr. TINSLEY. Yes. We would probably start off slow in terms of the numbers and gradually expand.

Mr. WHITE. I presume all allotments as to organizations would have to be employee-related allotments?

Mr. TINSLEY. Yes.

Mr. WHITE. Mr. Daniels has suggested the possibility of allotments for the paying of income taxes, Federal income taxes, and State income taxes. What is your attitude toward this as to the retiree?

Mr. TINSLEY. At the present time we do have authority under law to withhold income taxes by an amount that is voluntary on the part of the individual. The individual tells us how much he wants withheld. At the present time we have almost 250,000 annuitants voluntarily having us withhold income taxes. In that income tax program, we are withholding close to \$18 million a year.

Now we do not have the authority to withhold State or city income taxes at the moment even on a voluntary basis. We have received a number of requests from individuals to have their State or city income taxes withheld. State income taxes for a number of years

have been withheld from the regular employees salary where there is an agreement between the State and the Federal Government and the employee authorizes it. At the present time the Commission and the Treasury Department have issued regulations for the withholding of some city income taxes. I believe Philadelphia and several other cities around the country have worked out agreements with them.

I would think that in this area, and I would hope that in most States the retirees would not have that great a tax burden particularly those with lower annuities. But I would think that we should be able to, if there was a demand, accommodate State income tax type withholding.

Mr. WHITE. But there is nothing in the bill that would prevent that?

Mr. TINSLEY. No. This bill would appear to give us almost complete discretion as to what we would or would not withhold and what the rules would be for withholding.

I would assume that we would issue regulations in order to implement this, and in the process, the regulations would be published and subject to public response.

Mr. WHITE. Thank you very much, Mr. Tinsley, for appearing today.

The next witness is Mr. Carl Sadler, accompanied by Mr. Salyers.

**STATEMENT OF CARL SADLER, LEGISLATIVE REPRESENTATIVE,
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, ACCOMPANIED BY ROBERT K. SALYERS**

Mr. SADLER. Mr. Chairman, we appreciate this opportunity to testify on H.R. 6642 to provide for allotment or assignment of payments from civil service annuities. A variety of deductions are permitted from the pay of Federal employees, including allotments for Federal income tax, State and local tax, life and health insurance payments, and union dues. At present this variety of deductions is not allowed from annuities. H.R. 6642 would correct this situation.

Annuities are, of course, subject to Federal income tax, and the Tax Reform Act of 1969 authorized voluntary withholding of Federal income tax from annuities upon request of the annuitant. Some deductions for health and life insurance are also permitted. AFGE believes H.R. 6642 will give annuitants the flexibility in assigning payments which they had when they were employees of the Federal Government. Therefore, we strongly endorse this bill and are grateful to Chairman White for introducing H.R. 6642 and holding these hearings.

We are also mandated by our 1974 national convention to support legislation such as H.R. 6642, and we would like to insert for the record the text of AFGE Resolution No. 409.

AFGE is concerned, however, with the stipulation in H.R. 6642 which would grant the Civil Service Commission "sole discretion" in deciding the purposes for which allotments are considered appropriate.

At this point, Mr. Chairman, I would like to say I think Mr. Tinsley has pretty cleared up our main concerns in this area. However, I do hope that the subcommittee will consider pretty tight restraints on their "sole discretion" so to speak.

Instead, we urge this subcommittee to incorporate language in this bill which would specify that allotments which are considered appropriate from Federal salaries shall also be considered appropriate from Federal annuities unless the Civil Service Commission justifies particular exclusions to the Congress. In case of such exclusions, the Civil Service Commission should also be required to consult with unions of Federal employees and annuitants on each exclusion.

We believe it only equitable that Federal annuitants be allowed to manage their retirement funds as they see fit. We are certain that H.R. 6642 is a positive step in this direction.

Thank you again for your invitation to us to appear today.

[The resolution referred to follows:]

RESOLUTION No. 409

(Submitted by Local 2437, Veterans Administration Hospital, Dallas, Tex.)

Dues Withholding from Annuity Payments

Whereas, some deductions are permitted from the annuity checks of retired Federal employees such as health and life insurance, And,

Whereas, while employed by the Federal government deduction of union dues was permitted: Now, therefore, be it

Resolved, That legislation be enacted to permit dues deduction from annuity checks of retired Federal employees who have never had membership interrupted but have continued as members upon retirement.

Mr. WHITE. Thank you, Mr. Sadler. Mr. Harris?

Mr. HARRIS. Thank you, Mr. Chairman. With regard to your suggestion of actually trying to establish in the law what deductions can be made, the recommendation would probably be to have categories.

Mr. SADLER. Well, of course, when we made the statement here, Mr. Harris, we were not aware that the commission would take the overall position that they have on this thing. And I think our language here is suggesting that the appropriateness of those things being deducted from Federal salaries should be applied as well to the annuities which will solve that problem rather than getting into specific areas.

Mr. HARRIS. Thank you, Mr. Chairman.

Mr. WHITE. Thank you, Mr. Harris. Mr. Mineta?

Mr. MINETA. No questions.

Mr. WHITE. Mr. Jenrette?

Mr. JENRETTE. Mr. Sadler, how far do you think this commission should go in withholding from annuities? Should it get into the commercial field at all?

Mr. SADLER. I would agree pretty generally with what Mr. Tinsley stated just a few minutes ago in that as we just said—whatever is appropriate for deductions of active Federal salaries at this point mainly in terms of banks and credit unions in dealing with Federal employees' salaries, I think would be considered appropriate in dealing with the annuities as well. I don't think we should get into commercial aspects so to speak. I think we are thinking in the same terms along that line.

I don't think they should be paying their department store bills and this kind of thing. But I do think if the person wants to make an allotment to a bank, I agree with Mr. Tinsley that whatever the bank does with it is up to them and the annuitant.

Mr. JENRETTE. Thank you. I have no further questions.

Mr. WHITE. Mr. Daniels has a question at this point.

Mr. DANIELS. I did not have the opportunity to read the resolution for the appendix affixed to your statement. I notice the last paragraph of that resolution causes confusion in my mind.

Your resolution reads that Federal employees may ask to have deductions made of union dues. And in that last paragraph it says that this ought to be extended to retirees so long as they have been members of a union without interruption. Just exactly what do you mean by that?

Mr. SADLER. Well, it says "that legislation be enacted to permit dues deductions from annuity checks of retired Federal employees who have never had membership interrupted but have continued as members upon retirement."

Mr. DANIELS. Suppose a Federal employee is a member of a union, AFGE and then for some unknown reason dropped out and subsequently reapplied for membership. Now there was an interruption there; and according to this language, he would not qualify. Is that what you mean?

Mr. SADLER. I think there are two reasons for being that way,

Mr. Daniels. One reason is that this is the wording of the resolution passed by the convention which might not be in keeping with the way we would have written it.

Mr. DANIELS. Why don't you write it the way you think it should be?

Mr. SADLER. We try to pursue it as they pass it. Second, I think what we are trying to say there in the resolution is in keeping with what the Civil Service Commission just said in that you cannot go back and do something that you weren't doing before without permission of the Civil Service Commission and that type of thing.

As far as we are concerned, to answer your question, we would be happy to have them go back and pick it up but not to make them eligible for something they would have been eligible for at the time of retirement.

Mr. SALYERS, Mr. Daniels, I think the reason that wording got in there is that at the last convention, they amended the constitution bylaws to provide that only a person who was a member of AFGE at the time of his retirement would become a retired member of AFGE. I think that is where this crept in, and that is purely an internal matter.

Mr. DANIELS. Suppose a Federal employee was a member of AFGE, and upon retirement he discontinued his membership; however he decided to join the National Association of Civil Service Retirees.

Then according to your resolution you would bar any allocation of his retirement check toward the payment of dues in the retirement association.

Mr. SADLER. This resolution would not apply to the law. This subcommittee would decide upon.

Mr. DANIELS. I think if a person belongs to a recognizable union and if the Civil Service Commission is going to recognize any particular union, that a retiree who duly qualifies as a member of that union should have the authority to make a voluntary allotment. Do you agree with that?

Mr. SADLER. Well, only if he hasn't been denied membership for a reason with the AFFGE itself or whatever organization it is.

Mr. WHITE. One last point, Mr. Sadler. In your testimony you spoke about the fear of having sole discretion in the Civil Service Commission as to who would receive the benefit of allotments and some other points that were made in the testimony.

Having the testimony of the Civil Service Commission representative, Mr. Tinsley, and understanding the oversight authority of this Post Office and Civil Service Committee, do you feel this would be adequate without encumbering the bill with language that might be interpreted in some other manner?

Mr. SADLER. I would not encumber the bill with any extensive language, Mr. Chairman, other than to indicate either in the law or in the report that you think it would be appropriate that what applies to active employees applies to retirees.

Mr. WHITE. Well, the committee can certainly consider this. And any instructions to the Civil Service Commission would well be in the report and with the mention that this committee intends to continue oversight.

Thank you, Mr. Sadler. This committee is adjourned.

[Whereupon at 9:55 a.m. the hearing was adjourned.]

The first of these is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The second is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The third is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China.

The fourth is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The fifth is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The sixth is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China.

The seventh is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The eighth is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China. The ninth is the fact that the Commission has not yet received any information from the Government of the United States as to whether or not it has any intention of withdrawing its troops from the Republic of China.

ALLOTMENT OR ASSIGNMENT OF PAYMENTS FROM CIVIL SERVICE ANNUITIES

WEDNESDAY, JULY 9, 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 309, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee), presiding.

Mr. WHITE. The subcommittee will come to order. This subcommittee has reconvened this morning to continue its hearings and deliberations on H.R. 6642. To begin these hearings, we shall hear from Mr. John F. McClelland, National Association of Federal Employees, accompanied by Ms. Judy Park. You may proceed.

STATEMENT OF JOHN F. McCLELLAND, NATIONAL ASSOCIATION OF FEDERAL EMPLOYEES, ACCOMPANIED BY JUDY PARK

Mr. McCLELLAND. Thank you.

Mr. Chairman, for the record, I am John F. McClelland, president of the National Association of Retired Federal Employees—NARFE. I am accompanied this morning by my legislative assistant, Judy Park. Our association today has a dues-paying membership of approximately 224,000, growing at a rate of some 2,000 per month. For more than 50 years, since shortly after the enactment of the original civil service retirement law, NARFE has been the only organization composed solely of retired Federal employees, their spouses and survivors.

In representing these former Federal workers, we are pleased to appear before you this morning to offer our support of H.R. 6642, which would allow civil service retirees to make allotments or assignments from their annuities, thus extending a privilege currently applicable only to active Federal employees.

Our association would hope to have the assignment privilege for annuitants enacted as a means of securing dues withholding for NARFE members and retirees who have maintained their membership in the Federal and postal unions. It should also be pointed out that many Federal employees continue to participate in their Federal credit unions after retirement, and would welcome an opportunity to have annuity withholding made for this purpose.

At this time, the only withholdings allowed from annuities are health benefit premiums payable under the Federal employees health

benefits program and Federal income taxes. With the provisions of H.R. 6642 enacted into law, we should like to see voluntary withholding of State taxes, a privilege now accorded employees, but denied retirees.

In talking with various carriers about automobile insurance for our NARFE members, we have also found that premiums could be reduced by as much as 20 percent, if we were able to have premium payments withheld from annuities.

In general, permitting retirees to make allotments or assignments from their annuities would be of great help to this group, as many are virtually housebound as a result of physical impairment or lack of transportation. Also many retirees are transient, and the availability of making assignment of certain payments from their annuities could prevent inadvertent nonpayment of certain premiums or other scheduled payments.

The provision of H.R. 6642 would permit discussed allotments from annuities "for such purposes as the Civil Service Commission in its sole discretion considers appropriate." I should like to suggest that the word "sole" be stricken from the language of the bill. I would hope that in considering areas appropriate for allotment, the Civil Service Commission would be receptive to comments from the various employee organizations and NARFE.

In closing, I want to thank you, Chairman White, for your introduction and early consideration of H.R. 6642, which has the full support of NARFE.

Mr. WHITE. Thank you very much, Mr. McClelland. Actually, doesn't the word "sole" give the Civil Service Commission more flexibility to prevent its being restricted by other laws and thereby in its discretion and with the advice of interested groups the Commission could do more than otherwise?

Mr. McCLELLAND. I can see your interpretation of the word "sole," but we looked at it from the other side—that if it was sole discretion, that it also somewhat closes the door on organizations such as NARFE.

Mr. WHITE. Under present law as to active employees, does the Civil Service Commission have sole discretion as to what allotments will be made?

Mr. McCLELLAND. Dues withholding, as far as the active employee unions, of course, is under Executive order. And specifically stated, dues withholding and other provisions of withholding have been defined by law. And, of course, the postal unions negotiated certain withholding that gives them the right for withholding for insurance premiums which I mentioned.

Mr. WHITE. Now, as far as the union withholding of your dues, that has been in the sole discretion of the executive department?

Mr. McCLELLAND. Yes. But, of course, with the postal unions now, they negotiate directly at the U.S. Postal Service.

Mr. WHITE. I really believe you are going to be protected overall. And you, perhaps, were here during our earlier hearings in which it was mentioned that we would certainly include in the report that this committee will continue to exercise oversight. And if there were an arbitrary exercise of this discretion by the Civil Service Commission, undoubtedly this committee would then consider further legislation. So the Civil Service Commission knows we are watching them.

Mr. McCLELLAND. We certainly appreciate that.

Mr. WHITE. How many of your membership would you say are housebond, since you say you have totally a retired membership?

Mr. McCLELLAND. It would be hard for me to give you a figure.

Mr. WHITE. Can you give us any kind of percentage?

Mr. McCLELLAND. I couldn't give you that figure. But we do have a number of people in their eighties and you know that quite a few of them don't get along well. But we also have a lot of people that are ambulatory in their eighties.

Mr. WHITE. You have never made any kind of survey in this nature?

Mr. McCLELLAND. It would be hard for us to get this kind of figure.

Mr. WHITE. Do you have a national magazine?

Mr. McCLELLAND. Yes.

Mr. WHITE. That would be how to do it.

Mr. McCLELLAND. We have tried to get answers before for certain questions and you get a very poor return.

Mr. WHITE. I have no further questions. Does counsel have any questions?

Mr. McCUSKEY. I would just like to reiterate what the chairman has said. The Civil Service Commission stated yesterday with regard to the words "sole discretion," they would not be limited by laws that presently restrict certain organizations, and they don't foresee any trouble opening it up to retired organizations which encompass many more than are available for active employees.

Mr. WHITE. May I mention, too, before you leave, counsel just pointed out section 5525 of title 5, United States Code, and I will read it to you: "The head of each agency may establish procedures under which each employee of the agency is permitted to make allotments and assignments of amounts out of his pay for such purpose as the head of the agency considers appropriate." That would mean the head of the agency would have sole discretion working with the Civil Service Commission. So really under the present law, the bill that we have before us, I would say that at least in proposing it, the discretion of one agency, instead of having a hodge-podge of many agencies, would be more orderly and would probably provide better results for your membership.

Mr. McCLELLAND. As far as we are concerned, the agency is the Civil Service Commission.

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

Mr. McCLELLAND. Thank you.

Mr. WHITE. Our next witness is Mr. James Hill, executive director, National Federation of Professional Organizations.

STATEMENT OF JAMES HILL, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF PROFESSIONAL ORGANIZATIONS

Mr. HILL. I would like to have the prepared statement placed in the record, and in my talk for 10 minutes or less, I will not repeat what I said in the statement. I will try to make some different points.

Mr. WHITE. Without objection, Mr. Hill's statement will be placed in the record at this point.

[The prepared statement follows:]

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

Mr. Chairman and members of the subcommittee, we are a federation of 12 Federal professional societies. We commend the Subcommittee for its interest in H.R. 6642. We understand that it would permit the employees of Federal unions, who now pay their union dues, including payments toward union health and life insurance plans by payroll withholding, to continue to do so after retirement. Although our associations are not unions, many of our members also belong to Federal unions, and we think that this measure has a most commendable purpose.

Federal employees who are members of Federal professional societies at present do not even have the privilege of paying their dues, including payments toward group life insurance plans of their organizations, during their years of active Federal employment. We are here today to ask the Subcommittee to make one amendment to H.R. 6642, which would permit Federal employees to make allotments from their pay for the purpose of paying their dues to their professional societies.

This amendment is necessitated by the actions of the Civil Service Commission in construing the present law on this subject. Federal law on this point is Public Law 87-304 of September 21, 1961, which authorizes the heads of executive departments to permit employees to make allotments from their compensation "for such purpose as the head of the agency considers appropriate", pursuant to regulations to be issued by the President. By Executive Order 10982 the President delegated his authority to the Civil Service Commission.

The Commission then issued regulations, known as sections 550.304 and 550.305, Civil Service regulations, designating the purposes for which departments could permit allotments of pay. One of these was for the payment of dues to Federal labor organizations.

In 1965 the Administrator of the Federal Aviation Administration, deeming it appropriate that his agency permit its employees to execute allotments of pay for the dues of several professional societies of FAA employees, requested the Chairman of the Civil Service Commission to permit this. Chairman Macy of the Civil Service Commission refused. Following this, Chairman Monroney of the Senate Committee on Post Office and Civil Service, and Chairman Beckworth of the House Subcommittee on Manpower wrote to Chairman Macy urging him to reconsider his decision. Mr. Beckworth said: "If it should develop that additional legislation is necessary, I would appreciate being advised."

On receipt of these communications Chairman Macy reversed his position and the regulations of the Civil Service Commission were amended to provide that allotments of pay might be made by employees for the dues of their Federal professional societies.

This situation continued until 1971, when the Commission again altered its regulations to delete the right of employees to make allotments of pay for their dues to professional societies. The amended regulations provided only that allotments of pay might be made for the dues of Federal labor organizations to which an agency had accorded exclusive recognition. At that time the Chairman of the House and Senate Committees on Post Office and Civil Service again wrote to the Commission protesting this action, but the Commission paid no heed and proceeded to issue its amended regulations.

Since that time Federal employees have been empowered to make allotments from their pay for dues to Federal labor organizations, but not for dues to Federal professional societies.

This is an unjust inequity which this Subcommittee should take occasion to remedy at this time. We suggest the following considerations to the Subcommittee:

(1) When presenting the bill which ultimately became Public Law 87-304 to the House, Chairman Murray of the Committee on Post Office and Civil Service said:

"The legislation also consolidates the several existing laws relating to the allotment and assignment of compensation for Federal civilian employees, with their differing conditions and limitations, into one uniform and coordinated standard legislative provision which will govern procedures for such allotment and assignments to pay in the cases of all Federal civilian employees in or under the departments and agencies covered by the bill." (107 Cong. Rec. 12715, July 17, 1961.)

And when presenting the bill to the Senate, Senator Mansfield said:

"The legislation consolidates several existing laws and provides one standard provision applicable to all employees of the Government." (107 Cong. Rec. 19593, September 15, 1961.)

Unfortunately, the "one uniform and coordinated standard" and the "one standard provision applicable to all employees of the Government" which the Congress intended has been frustrated by the Civil Service Commission. In effect, the Civil Service Commission has partially repealed the Act of Congress by taking away from the department head the authority which the Congress gave to him and intended him to have. It restricted the benefits of the law to one class of Federal employees, and has denied it to others.

Obviously the Civil Service Commission's present discriminatory treatment of different Federal employees and different Federal employee organizations destroys the intent of Congress to have "one uniform coordinated standard," and "one standard provision applicable to all employees of the Government."

(2) The government's Federal labor relations program, now expressed in E. O. 11491, provides that employees shall be free to join or refrain from joining a labor organization and that an agency shall neither encourage nor discourage membership. The present pay withholding regulations of the Civil Service Commission encourage union membership and discourage membership in Federal professional societies by offering a discriminatory monetary assistance to employees who join unions, that is denied to employees who join Federal professional societies.

(3) Federal professional societies are valuable to the government and to their agencies. They assist in research, they advance the state of the science, they perfect procedures and techniques, they sometimes assume work and/or expenses which the agency would otherwise be required to bear, and they foster programs for the continuing professional education of their members. The Federal government has a legitimate interest in the financial health and continued existence of these associations. The Commission's present regulations are counterproductive to these purposes.

(4) We are informed that a payroll deduction for dues to professional societies will constitute no problem either to the Treasury Department or the Federal agencies; most agencies, we understand, presently prepare payroll on magnetic tape and can program as many allotments as an employee may care to make.

We, of course, have no objection whatever to the present authorization of employees to make allotments from their pay for the dues of Federal labor organizations. The dues check-off has always been a most valuable right to unions and we think it should be continued. Our sole objection is that the Commission's present practice is discriminatory and is contrary to the spirit, intent, and language of Public Law 87-304. The benefits of payment of dues by payroll withholding are just as valuable to professional societies as they are to unions.

We respectfully submit that the present discriminatory situation, in violation of the spirit and intent of the law, has existed too long. The Committees of Congress having been unable to rectify this situation by informal approaches to the Civil Service Commission, we respectfully request the Committee to take formal action to achieve equity at this time.

Public Law 87-304 is now codified as 5 U.S. Code Sec. 5525 which reads:

"Sec. 5525. Allotment and assignment of pay.

"The head of each agency may establish procedures under which each employee of the agency is permitted to make allotments and assignments of amounts out of his pay for such purposes as the head of the agency considers appropriate."

We respectfully urge the Committee to add to H.R. 6642 a new section 3 which would read:

"Section 5525 of Title 5, U.S. Code, is amended by the addition of the following sentence: Employees of agencies shall be permitted to make allotments and assignments of amounts out of their pay for the dues of Federal labor organizations and professional societies."

We thank you for the opportunity to submit this request to the Subcommittee.

Mr. HILL. Thank you, sir. We commend you for your consideration of this measure. I think it is a worthwhile measure. The withholding of union dues is a very valuable right to unions, and I am sure it will be, if it's extended, to their retired members also, and we do commend you for it. We are a federation of Federal professional societies. Some

of our people also belong to unions, but Federal professional societies are worse off than unions. Unions have dues withholding privileges during the active career of the employee but not after retirement. We don't ever have it. We don't have dues withholding even for active employees. And so we think that is an injustice and we are here to ask the committee to make one amendment to the bill which would permit that to be done. Now, as I stated in my prepared statement, there was a law enacted by Congress in 1971 which says that the head of each agency may permit employees to make allotments from their pay for such purposes as the head of the agency deems appropriate.

Unfortunately, it also had a section that said this shall be subject to regulations promulgated by the President. Then the President delegated that authority to the Civil Service Commission, and the Civil Service Commission took away from the agency head the authority that the Congress intended him to have.

The Commission enacted regulations that stated the purposes for which allotments from pay may be made, and said it may be done for dues to labor unions, but not for anybody else. I think that the Commission did not just interpret the law by the issuance of a regulation. It partially repealed the law by the issuance of a regulation and it extended its authority too far and I think that ought to be rectified by the Congress. That law was said to be intended to be one uniform standard provision applicable to all Federal employees, but as to dues withholding, it isn't. It is discriminatory. Some employees get the privilege for some organizations, and others don't for other organizations.

As I pointed out in my statement, in 1965 the Administrator of the Federal Aviation Administration, thinking it appropriate that dues withholding privileges be extended to four Federal professional societies of FAA employees, asked the Chairman of the Commission for authority to do that, and the Chairman, Mr. Macy, refused; and when that happened, the chairman of this committee, and of the Senate committee, wrote to Mr. Macy and complained about it and said—

We did not intend to the law to be applied in that discriminatory manner, and we think the members of the Federal professional societies should be permitted to have dues withholding privileges.

Chairman Macy then reversed his position and permitted it. So Federal professional societies had that privilege from 1965 to 1971 when the Commission then reversed its position and canceled the rights of Federal professional societies to have dues withholding, and we have been suffering under that discrimination ever since.

When Mr. Macy originally turned down the Administrator of the agency in 1965, he wrote a letter on April 26, 1965, to the Administrator of FAA rejecting his request and then giving these reasons:

In making its decision, the Commission recognized the place that professional associations have in dealing with the Federal Government, but the Commission believed that the relationship of professional associations with the Government differs from the relationship of employee organizations because of the special relationship accorded employee organizations by Executive Order 10988. Because of this difference in relationship, and because any expansion of the allotment program for additional purposes further complicates the payroll system, the Commission did not agree that the request should be approved.

So there were two reasons: First, Mr. Macy said the Government had a special relationship with unions that it doesn't have with professional societies. Well, we don't think that is true. Of course, the Government does have a relationship with unions and it should be a full and rewarding relationship. We are entirely in favor of it. But if there is any special relationship, it is between the Government and its professional societies.

As a matter of fact, when President Kennedy, in 1961, first decided that he wanted to have a labor relations program with Federal unions, he appointed a task force to look into it, headed by Secretary of Labor Goldberg. The other members were Mr. Macy of the Civil Service Commission, the Director of the Bureau of the Budget, Postmaster General Day, the Secretary of Defense, Mr. McNamara, and Mr. Sorenson, special counsel to the President.

This task force gave a report to the President and said, in effect, yes, we should establish a program for dealing with Federal labor unions. However, this should not interfere with the special relationship the Government has with professional societies and veteran organizations, charitable organizations, religious organizations, recreational organizations, and so forth.

Now, Mr. Goldberg could not be accused of being a neophyte in the field of labor relations. He spent his life in the labor movement and I am sure he was in favor of unions, but in his task force report he said that even though an agency has accorded exclusive recognition to a labor union, that shall not interfere with the special relationship it has with professional societies and other groups. This was incorporated in the Executive order, and is now section 7(d)(3) of Executive Order 11491.

There is a reason for this. Agency relationships are much different in dealing with unions than in dealing with professional societies. When dealing with the unions, it is more or less at an arm's-length, formal relationship. In dealing with professional societies, it is a warm, cooperative relationship. Professional societies do a great many valuable things for agencies. They do a lot of things that, if they didn't do, the agency would have to do at the taxpayers' expense.

As an example, I refer to ATCA, the Air Traffic Control Association, composed of controllers, in the employ of the FAA. There is also a labor union of controllers. The purposes of the two organizations are much different. Generally, the work of any professional society is in the field of a continuing professional education of its members. ATCA publishes a professional journal. It is not like a labor union newspaper that crows about the elections it won. It is a technical journal about new developments in the science of the profession.

ATCA doesn't have annual conventions. ATCA has annual meetings. They don't have somebody come in and give a table-walloping speech about how management is your natural enemy, to be resisted all the time. They have panel discussions of scientists and similar people discussing new developments in automated air traffic control, and so forth. It is truly an educational meeting.

ATCA's local chapters have annual pilot-controller forums in which the local controllers will call in the pilots using that airport, and they will discuss the new techniques, for example, how we are going to change this procedure for landing on runway 21, or should we change

this instruction? Some people think it is ambiguous. This is purely educational.

ATCA also sponsors a controller of the year award and a facility of the year award. It is amazing in the agency how many supervisors are people who were once active in ATCA as the national president or a local chapter president.

One of the FAA regions has in its merit promotion program a provision that in the scoring of candidates, so many points shall be given for activity in their Federal professional society. There is not any provision for being active in a labor union. So I say again there is a special relationship between the Government and professional societies. It ought to be encouraged. When Mr. Macy said there is a special relationship with unions, but there is nothing special about dealing with professional societies, I don't think that is accurate.

He also said it would complicate the payroll system. Well, an employee today can make a deduction for almost anything he wants. The Commission's regulations provide for withholding for union dues, Government bonds, commercial insurance, U.S. Government life insurance, Government health insurance, Veterans' Administration insurance, allotments by overseas employees to the support of their dependents, and then this catchall clause, "for any other purpose that an agency deems appropriate"—except no dues to any employee organization except unions.

So the present regulations permit withholding for almost anything in the world. I don't think it would further complicate the payroll system if dues to professional societies were permitted.

Dues withholding is a valuable right to unions. We think we should be permitted to have it, too. We think making it statutory will help unions as well, because unions have always complained that this executive order now is something that can be changed by any new administration. They would like to have a law. They would like to have a statutory base for dues withholding. And we respectfully solicit your help on this, sir.

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

You recognize that this bill pertains to the retired and we cannot, in this bill, go back and change anything relating to active employees. As I understand it, you are seeking to change the active treatment.

Mr. HILL. Yes.

Mr. WHITE. Well, we cannot do that in this bill. Were you also addressing your remarks to the retired employees?

Mr. HILL. We are in favor of this, sir. We think this bill ought to be enacted. I don't see any reason why you can't also change another provision of the law. This is going to be the only time in this Congress when improvements in the allotment laws are going to be considered.

Mr. WHITE. Do you have retired members in your professional society?

Mr. HILL. Yes.

Mr. WHITE. What percentage of your membership are retired?

Mr. HILL. I couldn't guess. But I would assume less than 10 percent, maybe about 10 percent.

Mr. WHITE. Are there any programs as to your retired employees such as health insurance? Is that dependent upon their membership in order to enjoy these programs?

Mr. HILL. Yes; some of our members have group life insurance that is applicable to members only. I think in those cases they are collected together with dues.

Mr. WHITE. I am talking about your retired. Do they still continue to have the coverage of the health insurance after their retirement?

Mr. HILL. Yes.

Mr. WHITE. Could they continue their health insurance while they were members of your society or not?

Mr. HILL. No. In most cases; no.

Mr. WHITE. What do you mean "in most cases"?

Mr. HILL. I don't know about all 12 of our organizations. There are just two that come to my mind right now where a retired employee can retain his group life coverage.

Mr. WHITE. Your other answer, then, was predicated on that fact that you represent 12 different organizations?

Mr. HILL. Yes.

Mr. WHITE. Then we would be most interested in receiving this information if you could provide it.

Mr. HILL. All right. You understand since we don't have dues withholding at all, this bill is not going to help us any.

Mr. WHITE. You understand, too, that with the sole discretion in the Civil Service Commission, you could sell your case to the Civil Service Commission?

Mr. HILL. I think it would be like selling dues withholding for active employees. We have never been able to do it.

Mr. WHITE. The principal purpose, as I conceive this bill, is to give protection to the retired employee. I don't believe this bill seeks to help organizations as such and the primary argument for allocations or allotments for retired employees who belong to unions would be that some of the programs which they are participating in are dependent upon their membership. And if their membership lapses, then so does their protection.

Mr. HILL. I listened yesterday to the witness for AFGE, and I thought he pitched his plea almost entirely on their dues collections.

Mr. WHITE. But this member sitting here with the gavel has a different idea. And I am the author. But I would judge that that would be the primary purpose, to give protection to the retiree in instances where he may have commitments like house payments or something else. And insofar as this is a very mobile society, particularly with the retired employee, he may find himself in Yellowstone National Park and forget to make the payment. But he can make this allocation through the Civil Service Commission as a retirement payment. And so if you could prove your case to the Civil Service Commission as to the employee, then you would be much better off.

I don't believe any organization is going to be able to sell their case to the Civil Service Commission purely as a matter of buttressing their own particular position. That is the observation I have, anyway.

Mr. Taylor?

Mr. TAYLOR. Mr. Chairman, the only thing I would say is that I concur with you. I can see Mr. Hill's point, but I think it is probably not germane to this. I was wondering, Mr. Hill, if you could accomplish this by administrative action, and if it wouldn't be more appropriate for this to be a part of the labor-management bill.

Mr. HILL. That would come up there; yes. Last year when they had hearings, we made the comment to the committee that we thought dues withholding should apply to Federal professional societies, too, not just to unions.

Mr. WHITE. Mr. Harris?

Mr. HARRIS. Thank you, Mr. Chairman. I am trying to understand the existing situation that you now face. Is there something in the law which prohibits the withholding from active pay for the purpose of paying professional societies?

Mr. HILL. No, sir, there is not. The Civil Service Commission has full authority under present law to do it. They just won't do it.

Mr. HARRIS. The problem with active employees now is not the fact that Congress has not authorized it. It is the problem that the Civil Service Commission has not permitted this; is that correct?

Mr. HILL. Absolutely correct.

Mr. HARRIS. So you would like to have the law changed to require them to do it?

Mr. HILL. Yes.

Mr. HARRIS. Let me relate this to the bill that we have before us.

As I understand it, you would also like to have it apply to retired employees, as well as active employees; is that correct?

Mr. HILL. Yes.

Mr. HARRIS. Would it be your recommendation that the bill that we have before us with respect to how it applies to retired employees, should be somehow mandatory on the Civil Service Commission, rather than discretionary?

Mr. HILL. Since Mr. Tinsley appeared in support of the bill, I would assume that when it exercises its discretion, it is going to allow it; that is, allow retirees to make deductions for their union dues, including health and life insurance programs.

Mr. HARRIS. I would presume that this would move the Civil Service Commission into the position of probably doing the same thing for retired employees as it is now doing for active employees.

Mr. HILL. Yes; that is, if you pass this law, yes. The Commission will then give dues withholding to retired employees of unions.

Mr. HARRIS. As I understood the thrust of your comments, you are not too happy with the way they have exercised their discretion with respect to active employees?

Mr. HILL. That's correct.

Mr. HARRIS. This is why I asked the question whether you think there should be some sort of mandatory language in here with respect to retired employees.

Mr. HILL. I think the only way to do it is to insert the amendment which I suggested at the end of my prepared statement—just add a sentence to the present law stating that the Commission shall authorize dues withholding to employees to pay their dues to unions or professional societies. If you pass the law the way it is now, I should think the Commission will exercise its discretion to provide dues withholding for retired union members, but not anybody else.

Mr. WHITE. Mrs. Spellman?

Mrs. SPELLMAN. Mr. Chairman, I don't feel there is a need for me to ask any questions.

Mr. WHITE. Counsel?

Mr. McCLUSKEY. Mr. Hill, yesterday Mr. Tinsley said that with the word "sole" discretion in there, that he should be able, in his opinion, to open this up to more organizations. And I think the Chairman emphasized that yesterday, too, to Mr. Tinsley, and yet you don't think that would be carried out?

Mr. HILL. Well, we are always in negotiation with the Civil Service Commission about this. We have been in negotiation with them since 1971, but without result. I would say the doors are not closed. We go over and talk to them frequently about this.

It may be that we will get some relief from the Commission administratively, but this has been going on for so long, I would much rather have a law about it if this subcommittee could see its way clear to do it.

Mr. WHITE. The thought occurs to me, Mr. Hill, that a man might belong to more than one professional organization. Are there some of your members who have more than one professional organization to which they belong?

Mr. HILL. I think that is very rare. Most of these professional societies are for a particular profession. A veterinarian would not belong to the controllers' organization, and so forth.

Mr. WHITE. What about engineers?

Mr. HILL. Engineers, yes, they might belong to more than one. You are right.

Mr. WHITE. Under that circumstance, they might have more than one allocation?

Mr. HILL. Yes. There is another aspect to that. We have many members who also belong to a union. I think that is much more common.

Mr. WHITE. But you don't have members who belong to two unions?

Mr. HILL. No.

Mr. WHITE. Are there any other questions?

[No response.]

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

The Chair would like to bring up the fact that it seems this bill has very little controversy about it. We have a markup that is now slated for the 21st. It seems to me that since we are running into the August recess, it might be well to try to schedule one for this next week instead, so we can try to get it through the committee. Do you think so?

Mr. HARRIS. Mr. Chairman, I certainly think so. I was actually wondering yesterday. I guess we have one more day of hearings on this. It would be agreeable with me to—if the Chair wanted to consider checking with the minority on this—and try, at the end of our next hearing, which is tomorrow, to consider a motion to report it favorably to the full committee.

Mr. WHITE. Mr. Taylor?

Mr. TAYLOR. No objection.

Mr. WHITE. Counsel, I would ask that you notify all members of the committee that at the conclusion of the hearing tomorrow, H.R. 6642 will be considered for markup and reporting to the full committee.

Is there any other business?

[No response.]

Mr. WHITE. If not, the meeting is adjourned until tomorrow.

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

ALLOTMENT OR ASSIGNMENT OF PAYMENTS FROM CIVIL SERVICE ANNUITIES

THURSDAY, JULY 10, 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 304, Cannon House Office Building, Hon. Richard C. White (chairman of the subcommittee), presiding.

Mr. WHITE. The subcommittee will come to order. This subcommittee has reconvened this morning for its final hearing and deliberations on H.R. 6642. Immediately following today's hearing, the subcommittee shall hold a markup on the bill.

H.R. 6642 would amend the present law relating to Federal annuities, to allow a Federal retiree to have the same allotments deducted from his annuity check, if he so desires, as he had deducted from his paycheck as an active employee.

I must say, that the sole discretion is within the Civil Service Commission according to the bill and we would presume by the testimony they would apply to the same deductions.

Today we shall hear from Mr. Rial M. Rainwater, president, National Rural Letters Carriers Association.

STATEMENT OF RIAL M. RAINWATER, PRESIDENT, NATIONAL RURAL LETTER CARRIERS ASSOCIATION

Mr. RAINWATER. I am Rial M. Rainwater, president of the National Rural Letter Carriers Association. It is an organization representing nearly 70,000 regular, substitute and retired rural letter carriers. I am accompanied by vice president Miller and secretary-treasurer Starkey. Since Mr. Miller served a 3-year term as a member of the Advisory Committee of the Government Health Plans and also served as national secretary of our association for 6 years, he is very familiar with the need for the legislation which you are sponsoring. Therefore, I shall ask him to present the testimony this morning.

Mr. MILLER. Mr. Chairman, we sincerely appreciate your introduction of H.R. 6642 and for the scheduling of these hearings to secure the views and comments of all interested parties.

H.R. 6642 would permit an annuitant to authorize allotments or assignments from his annuity for such purposes as the Civil Service Commission considers appropriate.

Our interest in this legislation stems from the longstanding interest of our retired members in a system which would permit them the option to authorize membership dues deductions from their annuities. Most of our retired rural carrier members have become accustomed to such a system of membership dues withholding as postal employees prior to their retirement. Many are surprised to discover that they cannot authorize such deductions from their annuities just as they did from their salaries.

Such a system would be of great value to the annuitants who are enrolled in a Federal health plan sponsored by an employee organization. It has been our experience that as annuitants become aged they become less competent and many times must rely upon relatives or friends to transact their business. At such time, payment of membership dues in the organization sponsoring their health plan is neglected.

As an organization, we have great difficulty in even locating such members to remind them of the membership requirements to maintain eligibility for the Government health plan sponsored by the organization. Frequently, they have changed residence and may be living with one of their children or at a rest home. This makes it most difficult to locate them and to remind them of their membership obligation.

We have frequent requests from our retired members that they be permitted to have dues deductions authorized from their annuity payments. It would ease their mind to know that their membership in the organization would be automatically provided for them as they grow older and unable to transact their own business. They could be assured that their eligibility for enrollment in an employee organization-sponsored health plan would never be jeopardized by their neglect in paying their membership dues in the organization sponsoring the plan. Generally, it would be a one-time transaction for the Commission to establish the dues withholding status for the annuitant. The annuitants rarely change from their own organization-sponsored plan. With present day computers it should be no problem for the Civil Service Commission to administer the program. This would be an important service which the Government could render to its retired employees at a minimal cost. It would be a maximum service with a minimum of effort for all parties concerned.

It should be emphasized that the authorization for membership dues withholding would be entirely voluntary on the part of the annuitant and could also be canceled.

As early as April 26, 1973, this association requested the Civil Service Commission to "give serious consideration to adopting a plan which would permit annuitants to authorize membership dues deductions from their annuity checks." At that time they replied, "We would like to offer the service of premium—dues—collection from annuity payments, but do not feel we are in a safe position to add this additional complexity to annuity roll maintenance."

We renewed our request on May 30, 1974, and were joined by other major employee organizations. In numerous discussions during this past year, a willingness to grant our request was shown by Commission officials, but some question remained about the legal authority of the Civil Service Commission to do so. Mr. Chairman, your bill, H.R. 6642, would grant such legal authority.

As evidence that we have no selfish motive as an organization in this matter, I wish to relate that it would not be any great source of additional revenue to us. Our national per capita for our retired members is only \$6 per year per member with more than two-thirds of that amount expended to provide each of them with our weekly publication, The National Rural Letter Carrier. A few additional dollars per year are added by each State and local association. Rarely would the member's dues deduction exceed \$1 per month and in most instances much less than that amount.

Our concern is for the welfare of the retired rural carriers we represent and the many other Federal employees who are enrolled in employee organization Government health plans. Enactment of H.R. 6642 would be a giant step forward in accomplishing a long-sought goal of our dedicated rural carriers and other Federal employees.

Mr. Chairman, we urge the committee to favorably report this bill and expedite its passage into law. We greatly appreciate the opportunity to appear before you to express our views and comments on what we consider to be very important retirement legislation.

Mr. WHITE. I wish to thank you for a well-thought-out presentation and commend you on your sincere interest in the welfare of the entire membership. I would inform you that the subcommittee has concern with the Commission approval of this legislation.

I have no questions. We have pretty well covered most of the issues in previous days.

At this time I would like to call on Mr. Daniels.

Mr. DANIELS. I thank you, Mr. Rainwater and Mr. Miller, for a fine presentation here. I fully subscribe to the views you have expressed here this morning.

Mr. WHITE. Thank you very much.

This hearing is adjourned.

[Whereupon, at 9:15 a.m., the hearing was adjourned.]

94TH CONGRESS
1ST SESSION

H. R. 6642

IN THE HOUSE OF REPRESENTATIVES

MAY 1, 1975

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

A BILL

To provide for allotment or assignment of payments from civil service annuities, 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 8345 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

“(g) An individual entitled to an annuity from the Fund may make allotments or assignments of amounts from his annuity for such purposes as the Civil Service Commission in its sole discretion considers appropriate.”.

SEC. 2. Section 8346 (a) of title 5, United States Code, is amended to read as follows:

“(a) The money mentioned by this subchapter is not assignable, either in law or equity, except under the provisions of 8345 (g) or subject to execution, levy, attachment, garnishment, or other legal process, except as otherwise may be provided by Federal laws.”.

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

July 7, 1975

Honorable David N. Henderson
Chairman
Committee on Post Office
and Civil Service
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This is in further reply to your request for the Commission's views on H.R. 6642, a bill "To provide for allotment or assignment of payments from civil service annuities, and for other purposes."

The Tax Reform Act of 1969 (Public Law 91-172) provided for the first optional withholding from annuity by permitting an annuitant to have amounts withheld for Federal income tax.

The only other permissible deductions from an individual's Civil Service Retirement annuity are Optional Life Insurance premiums until age 65, Health Benefits premiums under the Federal program, and Medicare. The basis for these deductions is statutory, and the annuitant has no control over the deductions as long as the coverage continues.

The Commission has had many requests from annuitants to have other deductions, such as savings bonds, union dues, and deposits to bank accounts (of less than the entire annuity check), withheld from their annuity checks. Until recently, such deductions were not administratively feasible because the Commission was not equipped to maintain more than one address for each annuity account.

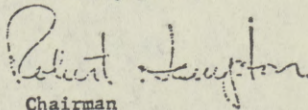
It would seem consistent with the spirit of recent legislation to permit individuals to meet their obligations first through voluntary allotment or assignment.

For the reasons given above, the Commission believes that now is the logical time to provide for optional allotment or assignment by the annuitant for other purposes deemed appropriate by the Commission, and we urge favorable action by the Congress.

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

By direction of the Commission:

Sincerely yours,


Chairman



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 7 1975

Honorable David N. Henderson
Chairman, Committee on Post Office
and Civil Service
House of Representatives
Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reply to the Committee's request for the views of this Office on H.R. 6642, "To provide for allotment or assignment of payments from civil service annuities, and for other purposes."

The purpose of this bill is to allow the Civil Service Commission to deduct from annuity checks amounts designated by retirees for purchase of savings bonds, union dues, bank deposits, and the like.

In its report the Civil Service Commission states that optional allotment or assignment by annuitant for purposes deemed appropriate by the Commission would be appropriate.

We concur with the views expressed by the Commission and, accordingly, recommend enactment of H.R. 6642.

Sincerely,

James M. Frey

James M. Frey
Assistant Director for
Legislative Reference

○

