

DOCUMENT RESUME

03782 - [A2733975]

[Special Early Retirement Policy for Federal Law Enforcement Officers and Firefighters]. September 27, 1977. 20 pp.

Testimony before the House Committee on Post Office and Civil Service: Compensation and Employee Benefits Subcommittee; by H. L. Krieger, Director, Federal Personnel and Compensation Div.

Issue Area: Personnel Management and Compensation: Compensation (305).

Contact: Federal Personnel and Compensation Div.

Budget Function: General Government: Central Personnel Management (805).

Organization Concerned: Civil Service Commission.

Congressional Relevance: House Committee on Post Office and Civil Service: Compensation and Employee Benefits Subcommittee.

Federal employees whose primary duties are: (1) investigating, apprehending, or detaining persons suspected or convicted of Federal crimes; or (2) controlling and extinguishing fires or maintaining and using firefighting apparatus and equipment are entitled to special retirement benefits, including earlier retirement and a more generous annuity formula than other Federal employees. About 52,000 employees in various Federal agencies and the District of Columbia government are covered under the special retirement program. Although there may have been a need for the special retirement program when it was established in 1947, the continued need for the program is questionable. The special retirement policy is an expensive method of marginally reducing the age of retirement. The Congress should reevaluate the need for providing the special retirement benefits to law enforcement and firefighting personnel. If the special early retirement policy continues, the Congress should: reevaluate the eligibility criteria, mandatory retirement provision, and benefit structure; and amend the law to require additional retirement contributions by employing agencies. (SC)

3975

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M.
TUESDAY, SEPTEMBER 27, 1977

03782

STATEMENT OF
H. L. KRIEGER, DIRECTOR
FEDERAL PERSONNEL AND COMPENSATION DIVISION
U. S. GENERAL ACCOUNTING OFFICE

BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U. S. HOUSE OF REPRESENTATIVES

ON A

GENERAL ACCOUNTING OFFICE REPORT ENTITLED
"SPECIAL RETIREMENT POLICY FOR FEDERAL LAW
ENFORCEMENT AND FIREFIGHTER PERSONNEL NEEDS
REEVALUATION," FPCD-76-97, FEBRUARY 24, 1977

MADAM CHAIR AND MEMBERS OF THE SUBCOMMITTEE:

I AM PLEASED TO BE HERE TO DISCUSS THE GENERAL ACCOUNTING OFFICE'S REPORT TO THE HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE ON THE SPECIAL, EARLY RETIREMENT POLICY FOR FEDERAL LAW ENFORCEMENT OFFICERS AND FIREFIGHTERS.

THE SUBCOMMITTEE'S MEMBERS ARE UNDOUBTEDLY AWARE OF GAO'S DEEP CONCERN ABOUT THE CIVIL SERVICE AND OTHER FEDERAL RETIREMENT SYSTEMS. BEGINNING IN 1974, WE HAVE ISSUED A SERIES OF REPORTS COVERING A NUMBER OF ISSUES RELATED TO BASIC POLICIES, FINANCING, ADMINISTRATION, AND BENEFITS OF THE VARIOUS RETIREMENT PROGRAMS. IN THE LATEST REPORT, FOR EXAMPLE, ISSUED ON AUGUST 3, 1977, WE REPORTED THAT THE ACTUAL COST OF THE CIVIL SERVICE SYSTEM IS ABOUT TWO AND ONE-HALF TIMES THE COST GENERALLY RECOGNIZED AND ALSO POINTED OUT THAT MANY OF THE DIFFERING AND INCONSISTENT PROVISIONS OF THE VARIOUS SYSTEMS

ARE WITHOUT APPARENT EXPLANATION. OUR REPORTS HAVE CONSISTENTLY CALLED FOR THE ESTABLISHMENT OF AN OVERALL POLICY TO PROVIDE OBJECTIVES AND PRINCIPLES TO GUIDE RETIREMENT SYSTEM DEVELOPMENT AND IMPROVEMENT. OUR PREVIOUS WORK HAS CONVINCED US OF THE IMPORTANCE OF GIVING SERIOUS CONSIDERATION TO NEED, DESIGN, EQUITY, AND THE COST OF ANY PROPOSED CHANGES OR IMPROVEMENTS TO THE RETIREMENT PROGRAMS, PARTICULARLY WHEN THE CHANGES APPLY ONLY TO SELECTED GROUPS.

AT THE REQUEST OF THE FORMER CHAIRMAN OF THE HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE AND THIS SUBCOMMITTEE, GAO EVALUATED THE ADEQUACY, EFFECTIVENESS, REASONABLENESS, AND COSTS OF THE GOVERNMENT'S POLICY OF PROVIDING EARLIER AND MORE GENEROUS RETIREMENT BENEFITS TO FEDERAL LAW ENFORCEMENT AND FIREFIGHTER PERSONNEL.

EXISTING LAW AND ITS HISTORY

FEDERAL EMPLOYEES WHOSE PRIMARY DUTIES ARE (1) INVESTIGATING, APPREHENDING, OR DETAINING PERSONS SUSPECTED OR CONVICTED OF FEDERAL CRIMES OR (2) CONTROLLING AND EXTINGUISHING FIRES OR MAINTAINING AND USING FIREFIGHTING APPARATUS AND EQUIPMENT ARE PERMITTED, BY LAW, TO VOLUNTARILY RETIRE AT AGE 50 AFTER 20

YEARS OF SUCH SERVICE. THESE EMPLOYEES' ANNUITIES ARE COMPUTED AT THE RATE OF 2.5 PERCENT OF AVERAGE ANNUAL PAY (AVERAGE HIGH 3 YEARS' PAY INCLUDING ADMINISTRATIVELY UNCONTROLLABLE OVERTIME FOR LAW ENFORCEMENT OFFICERS) FOR THE FIRST 20 YEARS OF SERVICE PLUS 2 PERCENT OF AVERAGE PAY FOR EACH YEAR OF COVERED SERVICE THEREAFTER. EMPLOYEES AND EMPLOYING AGENCIES EACH CONTRIBUTE 7.5 PERCENT OF BASIC PAY TOWARD RETIREMENT. EFFECTIVE JANUARY 1, 1978, THE LAW REQUIRES MANDATORY RETIREMENT OF SUCH EMPLOYEES AT AGE 55 OR UPON COMPLETION OF 20 YEARS OF SERVICE, WHICHEVER COMES LATER. THE HEAD OF THE AGENCY CAN, HOWEVER, RETAIN AN EMPLOYEE TO AGE 60.

IN COMPARISON, FEDERAL EMPLOYEES UNDER THE REGULAR CIVIL SERVICE RETIREMENT PROVISIONS ARE GENERALLY ELIGIBLE FOR VOLUNTARY RETIREMENT AT AGE 55 AFTER 30 YEARS OF SERVICE, AT AGE 60 AFTER 20 YEARS OF SERVICE, OR AT AGE 62 AFTER 5 YEARS OF SERVICE. THEIR ANNUITIES ARE COMPUTED AT THE RATE OF 1.5 PERCENT OF AVERAGE ANNUAL PAY (HIGHEST AVERAGE ANNUAL SALARY FOR 3 CONSECUTIVE YEARS, GENERALLY EXCLUDING ALL PREMIUM PAY) FOR THE FIRST 5 YEARS OF SERVICE, 1.75 PERCENT FOR THE NEXT 5 YEARS, AND 2 PERCENT FOR EACH YEAR OF SERVICE BEYOND 10 YEARS. RETIREMENT IS MANDATORY AT AGE 70 AFTER 15 OR MORE YEARS OF SERVICE. EMPLOYEES AND EMPLOYING AGENCIES EACH CONTRIBUTE 7 PERCENT OF PAY TOWARD RETIREMENT.

THE CONGRESS' OBJECTIVE IN PROVIDING EARLY RETIREMENT TO LAW ENFORCEMENT AND FIREFIGHTING PERSONNEL WAS TO IMPROVE THE QUALITY OF THESE SERVICES BY HELPING TO MAINTAIN A YOUNG, VIGOROUS WORK FORCE. THE MORE GENEROUS ANNUITY FORMULA WAS DESIGNED TO MAKE EARLY RETIREMENT ECONOMICALLY FEASIBLE--NOT TO REWARD THOSE EMPLOYEES FOR PERFORMING DEMANDING OR SOMETIMES HAZARDOUS DUTIES.

IN 1947 THE CONGRESS ENACTED LEGISLATION PERMITTING FEDERAL BUREAU OF INVESTIGATION (FBI) AGENTS TO RETIRE WITH AN INCREASED ANNUITY AT AGE 50 AFTER 20 YEARS OF SERVICE. MANY AGENTS HAD BEEN LEAVING THE FBI TO RECEIVE HIGHER SALARIES IN THE NON-FEDERAL SECTOR. THE SPECIAL RETIREMENT PROVISIONS WERE BELIEVED NECESSARY TO OFFSET THE LURE OF THE HIGHER NON-FEDERAL SALARIES AND HELP THE FBI BECOME A CAREER SERVICE. ALSO, A YOUNG, VIGOROUS FORCE WAS DESIRED BECAUSE FBI AGENTS WORKED LONG HOURS; MAINTAINED IRREGULAR EATING AND REST SCHEDULES; WERE SUBJECT TO MANY PRESSURES, RISKS, AND HAZARDS; TRAVELED FOR LONG PERIODS; AND WERE EXPOSED TO ADVERSE ENVIRONMENTAL CONDITIONS. CONGRESSIONAL TESTIMONY INDICATED THAT THE COST OF THIS LIBERALIZED RETIREMENT PROGRAM WOULD NOT BE GREAT BECAUSE ONLY 30 AGENTS WOULD BE ELIGIBLE TO RETIRE WHEN THE LAW WAS PASSED AND ONLY 64 AGENTS WOULD BECOME ELIGIBLE FOR RETIREMENT DURING THE NEXT 5 YEARS.

ALMOST IMMEDIATELY, OTHER EMPLOYEE GROUPS BEGAN REQUESTING EQUIVALENT BENEFITS. IN 1948 THE CONGRESS EXTENDED SPECIAL RETIREMENT BENEFITS TO ALL EMPLOYEES IN POSITIONS WITH DUTIES THAT WERE PRIMARILY INVESTIGATING, APPREHENDING, OR DETAINING PERSONS SUSPECTED OR CONVICTED OF COMMITTING FEDERAL CRIMES. IN 1956 THE CONGRESS FURTHER EXTENDED COVERAGE TO EMPLOYEES OF CORRECTIONAL INSTITUTIONS WHO HAD FREQUENT AND DIRECT CONTACT IN THE DETENTION, DIRECTION, SUPERVISION, INSPECTION, TRAINING, EMPLOYMENT, CARE, TRANSPORTATION, OR REHABILITATION OF PERSONS SUSPECTED OR CONVICTED OF VIOLATING THE CRIMINAL LAWS OF THE UNITED STATES, THE DISTRICT OF COLUMBIA, OR THE UNIFORM CODE OF MILITARY JUSTICE. IN 1972, THE LIBERALIZED RETIREMENT PROVISIONS WERE ACCORDED TO EMPLOYEES IN POSITIONS WHOSE DUTIES PRIMARILY INVOLVED CONTROLLING AND EXTINGUISHING FIRES OR MAINTAINING AND USING FIREFIGHTING EQUIPMENT. IN ADDITION, THESE LAWS PROVIDE COVERAGE FOR EMPLOYEES WHO ARE TRANSFERRED TO SUPERVISORY OR ADMINISTRATIVE POSITIONS.

FINALLY, A 1974 LAW (1) FURTHER LIBERALIZED THE BENEFITS, (2) DELETED ALL REFERENCES TO EMPLOYEE HAZARD AS A BASIS FOR COVERAGE, (3) EMPHASIZED IN ITS LEGISLATIVE HISTORY THAT THE SPECIAL RETIREMENT PROVISIONS ARE PROVIDED TO IMPROVE THE QUALITY OF LAW ENFORCEMENT AND FIREFIGHTING SERVICES BY HELPING TO MAINTAIN A YOUNG AND VIGOROUS WORK FORCE AND THAT THE GENEROUS BENEFITS ARE PROVIDED TO MAKE EARLIER RETIREMENT

ECONOMICALLY FEASIBLE, AND (4) ESTABLISHED, EFFECTIVE JANUARY 1978, MANDATORY RETIREMENT AT AGE 55 OR UPON COMPLETING 20 YEARS OF COVERED SERVICE, WHICHEVER COMES LATER.

THE CIVIL SERVICE COMMISSION (CSC) IS RESPONSIBLE FOR ADMINISTERING THE SPECIAL RETIREMENT PROVISIONS AND CERTIFYING EMPLOYEES' ELIGIBILITY.

JOBS COVERED

MANY OCCUPATIONAL GROUPS OF EMPLOYEES ARE ELIGIBLE FOR BENEFITS. EXAMPLES OF THE TYPES OF POSITIONS INCLUDED FOLLOW.

INVESTIGATION AND APPREHENSION OF CRIMINALS--INCLUDES SUCH EMPLOYEES AS SPECIAL AGENTS IN THE FBI, INTERNAL REVENUE SERVICE (IRS), SECRET SERVICE, AND DRUG ENFORCEMENT ADMINISTRATION. CUSTOMS AND IMMIGRATION BORDER PATROL OFFICERS AND AIRPLANE PILOTS, GAME WARDENS, POSTAL INSPECTORS, AND BUREAU OF INDIAN AFFAIRS AND PANAMA CANAL ZONE POLICE ALSO RECEIVE BENEFITS.

DETENTION OF CRIMINALS--INCLUDES ALL EMPLOYEES WORKING INSIDE THE WALLS OF A FEDERAL OR DISTRICT OF COLUMBIA DETENTION FACILITY. COVERED POSITIONS INCLUDE NOT ONLY CORRECTIONAL OFFICERS BUT ALSO COOKS, PLUMBERS, CARPENTERS, PAINT FOREMEN, MAILCLERKS, TELEPHONE OPERATORS, ACCOUNTANTS, AND SECRETARIES. ALSO COVERED ARE RESEARCH CHEMISTS, PHARMACOLOGISTS, PHYSICISTS, AND PHOTOGRAPHERS AT A DRUG ADDICTION CENTER AND PAROLE HEARING EXAMINERS IN THE DEPARTMENT OF JUSTICE.

FIGHTING FIRES--INCLUDES EMPLOYEES FIGHTING BOTH STRUCTURAL AND FOREST FIRES. IN ADDITION, THE ELIGIBILITY CRITERIA HAVE BEEN INTERPRETED TO COVER SUCH POSITIONS AS TANKTRUCK OPERATORS, CERTAIN AIRPLANE PILOTS, AND CERTAIN FORESTERS.

SUPERVISORY AND ADMINISTRATIVE PERSONNEL--INCLUDES EMPLOYEES WHO TRANSFERRED FROM COVERED OPERATING POSITIONS TO POSITIONS RESPONSIBLE FOR SUPERVISING OPERATING-LEVEL EMPLOYEES OR TO POSITIONS WHERE OPERATING EXPERIENCE IS REQUIRED TO PERFORM THE VARIOUS ADMINISTRATIVE DUTIES. INCLUDED ARE PROGRAM ADMINISTRATORS IN HEADQUARTERS ORGANIZATIONS, ACCOUNTANTS, PERSONNEL OFFICERS, ADMINISTRATIVE OFFICERS, AND TRAINING COURSE DEVELOPERS AND INSTRUCTORS.

CSC REGULATIONS SPECIFICALLY EXCLUDE EMPLOYEES IN POSITIONS WHOSE PRIMARY DUTIES INVOLVE (1) MAINTAINING LAW AND ORDER, (2) PROTECTING LIFE AND PROPERTY, OR (3) GUARDING AGAINST OR INSPECTING FOR VIOLATIONS OF LAW OR INVESTIGATING PERSONS OTHER THAN THOSE SUSPECTED OF VIOLATING CRIMINAL LAWS. ALSO EXCLUDED ARE EMPLOYEES WHOSE DUTIES ONLY OCCASIONALLY OR INCIDENTALLY REQUIRE THE INVESTIGATION, APPREHENSION, OR DETENTION OF PERSONS SUSPECTED OR CONVICTED OF VIOLATING CRIMINAL LAWS.

ABOUT 52,000 EMPLOYEES IN VARIOUS FEDERAL AGENCIES AND THE DISTRICT OF COLUMBIA GOVERNMENT ARE COVERED UNDER THE SPECIAL RETIREMENT PROGRAM. AS OF JUNE 30, 1976, 11,603 RETIRED EMPLOYEES WERE RECEIVING ANNUITIES TOTALING ABOUT \$150 MILLION A YEAR.

CONTINUED NEED FOR SPECIAL
RETIREMENT IS QUESTIONABLE

A NEED FOR THE SPECIAL RETIREMENT PROGRAM MAY HAVE EXISTED IN 1947, WHEN THE PROGRAM WAS ESTABLISHED TO MAKE CERTAIN FEDERAL JOBS MORE ATTRACTIVE AND TO MAKE IT ECONOMICALLY FEASIBLE FOR EMPLOYEES IN SUCH JOBS TO RETIRE AT A YOUNGER AGE. BUT THE CONTINUED NEED FOR SPECIAL RETIREMENT IS QUESTIONABLE BECAUSE

- REGULAR CIVIL SERVICE RETIREMENT BENEFITS HAVE BEEN INCREASED SUBSTANTIALLY, THUS REDUCING THE AVERAGE RETIREMENT AGE FOR ALL CIVIL SERVANTS;
- COVERED EMPLOYEES ARE NOT RETIRING MUCH EARLIER THAN EMPLOYEES WHO DO NOT RECEIVE THE ADDITIONAL BENEFITS BUT THE COSTS OF COVERED EMPLOYEES' BENEFITS ARE MUCH GREATER;
- MANY COVERED EMPLOYEES COULD CONTINUE TO PERFORM THEIR JOBS SATISFACTORILY AFTER AGE 50 AND OTHERS COULD BE ASSIGNED TO LESS DEMANDING JOBS; AND

--CIVIL SERVICE DISABILITY RETIREMENT AND FEDERAL WORKERS' COMPENSATION BENEFITS ARE AVAILABLE TO EMPLOYEES WHO CAN NO LONGER PERFORM THEIR DUTIES.

THE SPECIAL RETIREMENT POLICY FOR LAW ENFORCEMENT AND FIREFIGHTER PERSONNEL IS AN EXPENSIVE METHOD OF MARGINALLY REDUCING THE AGE OF RETIREMENT. IN 1947 THE POLICY OFFERED A POTENTIAL REDUCTION OF 10 YEARS IN THE MINIMUM RETIREMENT AGE OF COVERED EMPLOYEES COMPARED TO MOST OTHER CIVIL SERVANTS. HOWEVER, LIBERALIZED PAY AND RETIREMENT BENEFITS FOR ALL CIVIL SERVANTS HAVE REDUCED THE OVERALL AVERAGE RETIREMENT AGE. THIS, COMBINED WITH THE FACT THAT MOST COVERED EMPLOYEES CHOOSE NOT TO RETIRE WHEN FIRST ELIGIBLE, HAS REDUCED THE POTENTIAL DECREASE OF 10 YEARS IN AVERAGE RETIREMENT AGE TO AN ACTUAL DECREASE OF ABOUT 1 TO 3 YEARS. COVERED EMPLOYEES ARE RETIRING AT EARLIER AGES BUT THEN SO ARE ALL OTHER FEDERAL EMPLOYEES. MANDATORY RETIREMENT WILL, OF COURSE, FURTHER REDUCE THE AVERAGE RETIREMENT AGE OF COVERED EMPLOYEES BEGINNING IN 1978. HOWEVER, WE QUESTION WHETHER FURTHER REDUCTIONS IN RETIREMENT AGES WILL BE GREAT ENOUGH TO JUSTIFY THE HIGH COSTS OF THE SPECIAL BENEFITS. MANDATORY RETIREMENT AT AGE 55 WILL STILL PERMIT MOST COVERED EMPLOYEES TO WORK A FULL 25- TO 30-YEAR CAREER AND TO RECEIVE GREATER BENEFITS THAN REGULAR CIVIL SERVICE EMPLOYEES WITH SIMILAR EARNINGS AND YEARS OF SERVICE. ALSO, MANY OF THE COVERED EMPLOYEES WHO WILL BE MANDATORILY RETIRED AT AGE 55 WILL BE SUPERVISORS OR

ADMINISTRATORS WHO GENERALLY DO NOT NEED TO BE ANY MORE VIGOROUS THAN ANY OTHER FEDERAL SUPERVISOR OR ADMINISTRATOR.

TO ACHIEVE THE CURRENT 1- TO 3-YEAR REDUCTION IN THE AVERAGE RETIREMENT AGE OF COVERED EMPLOYEES, THE GOVERNMENT PAYS HEAVILY. BASED ON CSC ACTUARIAL ESTIMATES, THE GOVERNMENT'S ANNUAL NORMAL COST WAS \$311 MILLION IN 1976-- \$118 MILLION (61 PERCENT) MORE THAN THE COST OF PROVIDING REGULAR OPTIONAL BENEFITS TO THESE EMPLOYEES (ASSUMING A 3-PERCENT ANNUAL SALARY ADJUSTMENT AND A 4-PERCENT ANNUAL ANNUITY ADJUSTMENT). CSC ESTIMATED THAT THE UNFUNDED LIABILITY OF THE SPECIAL RETIREMENT PROGRAM WAS \$5.3 BILLION UNDER THOSE ASSUMPTIONS. THE NORMAL COST OF THE SPECIAL RETIREMENT BENEFITS--THE PRESENT VALUE OF ALL BENEFIT RIGHTS EARNED ANNUALLY, EXPRESSED AS A PERCENTAGE OF TOTAL PAYROLL--WITHOUT CONSIDERING GENERAL PAY INCREASES AND ANNUITY COST-OF-LIVING ADJUSTMENTS (STATIC BASIS) WAS ESTIMATED BY CSC TO BE 19.7 PERCENT OF PAY, CONSIDERABLY MORE THAN THE COMBINED AGENCY-EMPLOYEE CONTRIBUTION RATE OF 15 PERCENT. ON A DYNAMIC BASIS-- ASSUMING 3 PERCENT PAY AND 4 PERCENT ANNUITY INCREASES--THE ESTIMATED COST WAS 43.6 PERCENT OF PAY. BY COMPARISON, THE COMPOSITE NORMAL COST OF THE CIVIL SERVICE RETIREMENT SYSTEM, INCLUDING THE SPECIAL RETIREMENT PROVISIONS, WAS ESTIMATED BY CSC TO BE ABOUT 13.6 PERCENT OF PAY ON A STATIC BASIS AND 28.7 PERCENT OF PAY IF THE CONSERVATIVE ASSUMPTIONS OF 3 PERCENT

PAY AND 4 PERCENT ANNUITY INCREASES ARE USED IN THE COST CALCULATIONS.

MAINTAINING A TRAINED, ALERT, AND VIGOROUS WORK FORCE IS DIFFICULT, BUT SUCH PROBLEMS EXIST, TO VARYING DEGREES, IN MOST FEDERAL OCCUPATIONS. SUCH PROBLEMS ARE NORMALLY RESOLVED BY USING AVAILABLE PERSONNEL MANAGEMENT TECHNIQUES, OTHER CIVIL SERVICE RETIREMENT PROGRAMS, AND, IF NEEDED FOR RECRUITMENT AND RETENTION PURPOSES, SPECIAL RATES OF PAY. EMPLOYEES WHO CANNOT PERFORM SATISFACTORILY BEFORE THE OPTIONAL RETIREMENT AGE SHOULD BE REASSIGNED TO LESS DEMANDING DUTIES OR, AS A LAST RESORT, RETIRED UNDER EXISTING CIVIL SERVICE OR FEDERAL WORKERS' COMPENSATION PROGRAMS.

THE CONGRESS SHOULD REEVALUATE THE NEED FOR PROVIDING SPECIAL RETIREMENT BENEFITS TO LAW ENFORCEMENT AND FIREFIGHTING PERSONNEL.

AGENCY AND UNION COMMENTS
ON NEED FOR SPECIAL BENEFITS

THE CIVIL SERVICE COMMISSION AGREED THAT THE SPECIAL RETIREMENT POLICY NEEDS TO BE REEVALUATED BUT WITHHELD COMMENT ON THE CONTINUED NEED FOR SPECIAL BENEFITS, PENDING THE COMPLETION OF ITS OWN REVIEW.

OPERATING AGENCIES AND EMPLOYEES UNIONS GENERALLY DISAGREED WITH GAO'S CONCLUSIONS. THEY SAID IT WAS PREMATURE TO QUESTION THE EFFECTIVENESS OF SPECIAL BENEFITS IN HELPING TO MAINTAIN A YOUNGER, MORE VIGOROUS WORK FORCE BECAUSE (1) THE CURRENT ANNUITY FORMULA HAD BEEN IN EFFECT ONLY SINCE JULY 1974 AND (2) THE MANDATORY RETIREMENT PROVISION BEGINNING IN 1978 WILL EVENTUALLY RESULT IN EARLIER AND MORE EQUITABLE RETIREMENTS FOR COVERED EMPLOYEES.

THEY ALSO SAID THE SPECIAL RETIREMENT BENEFITS ARE NECESSARY FOR RECRUITING AND RETAINING EMPLOYEES, MAINTAINING A HIGH LEVEL OF EMPLOYEE MORALE, AND REWARDING EMPLOYEES FOR DOING DEMANDING AND DANGEROUS JOBS.

GAO EVALUATION OF AGENCY
AND UNION COMMENTS

WE DO NOT BELIEVE THOSE ARE COMPELLING REASONS FOR NOT REEVALUATING THE CONTINUED NEED FOR THE SPECIAL RETIREMENT BENEFITS. THE INEFFECTIVENESS OF THE SPECIAL RETIREMENT BENEFITS IN HELPING TO MAINTAIN A YOUNGER, MORE VIGOROUS WORK FORCE IS ONLY ONE OF SEVERAL FACTORS WHICH RAISE SERIOUS QUESTIONS ABOUT THE CONTINUED NEED FOR THE SPECIAL RETIREMENT POLICY. OVER THE EARLY RETIREMENT POLICY'S 30-YEAR HISTORY, INCLUDING PERIODS WHEN THERE WERE SUBSTANTIAL DIFFERENCES BETWEEN THE SPECIAL AND REGULAR RETIREMENT BENEFIT STRUCTURES, COVERED EMPLOYEES HAVE NEVER RETIRED MUCH EARLIER THAN EMPLOYEES UNDER THE REGULAR CIVIL SERVICE OPTIONAL RETIREMENT PROVISIONS. WE BELIEVE THAT A 30-YEAR PERIOD IS LONG ENOUGH TO JUDGE THE SPECIAL POLICY'S OVERALL EFFECTIVENESS.

BECAUSE THE SPECIAL BENEFITS FOR CERTAIN LAW ENFORCEMENT PERSONNEL HAVE EXISTED FOR 30 YEARS, WE COULD NOT DETERMINE EXACTLY WHAT EFFECTS THEY HAVE HAD ON RECRUITMENT AND RETENTION. WE COULD ALSO NOT ASCERTAIN EXACTLY WHAT IMPACT ELIMINATING OR REDUCING THE SPECIAL BENEFITS WOULD HAVE ON THE RECRUITMENT AND RETENTION OF PROSPECTIVE EMPLOYEES. THE SPECIAL BENEFITS OBVIOUSLY ENHANCE RECRUITMENT AND RETENTION. BUT ARE THEY JUSTIFIED AND NECESSARY TO ATTRACT AND RETAIN COMPETENT PEOPLE ?

IN THAT REGARD, CSC RECENTLY SAID THAT, NATIONWIDE, THERE WERE ABOUT 24 APPLICANTS FOR EVERY FEDERAL JOB OPENING--ABOUT 30 APPLICANTS FOR EVERY FEDERAL JOB IN THE WASHINGTON, DC, AREA. THERE WERE REPORTEDLY ABOUT 1,000 QUALIFIED APPLICANTS FOR FBI SPECIAL AGENT JOBS, BUT NO OPENINGS. IN COMPARISON WITH LOCAL GOVERNMENTS' RETIREMENT SYSTEMS, BUREAU OF LABOR STATISTICS COMPENSATION SURVEYS IN MAJOR U.S. CITIES SHOWED THAT THE BENEFITS OF 38 OF 47 LOCAL POLICE AND FIREFIGHTER RETIREMENT SYSTEMS ARE GENERALLY LESS LIBERAL THAN THE SPECIAL FEDERAL BENEFITS. IN RELATION TO THE 38 LOCAL RETIREMENT SYSTEMS, THE FEDERAL SYSTEM GENERALLY HAD MORE LIBERAL MINIMUM AGE AND SERVICE REQUIREMENTS AND PROVIDED A HIGHER PERCENTAGE OF SALARY. ALSO, A RECENT CSC STUDY SHOWED THAT FEDERAL CRIMINAL INVESTIGATORS AND FIREFIGHTERS ARE GENERALLY PAID MORE THAN THEIR NON-FEDERAL COUNTERPARTS.

LIKE ALL OTHER FEDERAL WHITE-COLLAR POSITIONS, LAW ENFORCEMENT AND FIREFIGHTER JOBS ARE PLACED IN APPROPRIATE GRADES IN ACCORDANCE WITH THEIR DUTIES, RESPONSIBILITIES, AND QUALIFICATION REQUIREMENTS. THE KNOWLEDGE, SKILLS, AND ABILITIES REQUIRED BY THESE JOBS' CHARACTERISTICS HAVE BEEN CONSIDERED IN SETTING POSITION CLASSIFICATIONS WHICH IN TURN ESTABLISH BASIC RATES OF PAY. JOB CHARACTERISTICS (FOR EXAMPLE, HAZARD; WORKING CONDITIONS; AND THE PHYSICAL, MENTAL, AND EMOTIONAL STRESS COMMONLY ASSOCIATED WITH LAW ENFORCEMENT

AND FIREFIGHTING OCCUPATIONS) ARE GENERALLY NOT CONSIDERED DIRECTLY IN VALUING OR CLASSIFYING FEDERAL POSITIONS. IF IT IS CONSIDERED NECESSARY FOR RECRUITMENT, RETENTION, OR OTHER PURPOSES TO PROVIDE ADDITIONAL COMPENSATION FOR CERTAIN FEDERAL JOBS BECAUSE OF SUCH FACTORS, THAT ADDITIONAL COMPENSATION SHOULD BE REFLECTED IN PAY, NOT IN RETIREMENT BENEFITS.

SEVERAL MATTERS NEED REEVALUATION IF
SPECIAL RETIREMENT POLICY CONTINUES

IF THE SPECIAL, EARLY RETIREMENT POLICY CONTINUES, WE BELIEVE THE CONGRESS SHOULD (1) REEVALUATE THE ELIGIBILITY CRITERIA, MANDATORY RETIREMENT PROVISION, AND BENEFIT STRUCTURE AND (2) AMEND THE LAW TO REQUIRE ADDITIONAL RETIREMENT CONTRIBUTIONS BY EMPLOYING AGENCIES.

ELIGIBILITY CRITERIA--
PRACTICAL CONSIDERATIONS

DESPITE THE CONCERN OVER MAINTAINING A VIGOROUS WORK FORCE, THE PRESENT RETIREMENT ELIGIBILITY CRITERIA DO NOT ADDRESS THE NEED FOR VIGOROUS INCUMBENTS IN DETERMINING COVERAGE. INSTEAD, BENEFITS ARE PROVIDED TO ALL EMPLOYEES WHO OCCUPY CERTAIN POSITIONS. AS A RESULT OF THESE OCCUPATIONALLY BASED CRITERIA, MANY INDIVIDUALS RECEIVE COVERAGE EVEN THOUGH THE PRIMARY DUTIES OF THEIR POSITIONS DO NOT REQUIRE EXTRAORDINARY VIGOR.

THESE OCCUPATIONAL CRITERIA ARE PROBABLY THE RESULT OF LAW ENFORCEMENT AND FIREFIGHTER PERSONNEL PERSUASIVELY STATING THEIR CASE TO LEGISLATORS AND THE PUBLIC OVER THE YEARS. ON THE OTHER HAND, MANY OTHER GROUPS HAVE SOUGHT AND BEEN DENIED COVERAGE THROUGHOUT THE 30-YEAR HISTORY OF THE PROGRAM BECAUSE OF THE OCCUPATIONALLY BASED ELIGIBILITY CRITERIA. INCLUDED

AMONG THESE GROUPS HAVE BEEN CUSTOMS AND IMMIGRATIONS INSPECTORS, AIRCRAFT PILOTS, COAL MINE INSPECTORS, AND EMPLOYEES WITH ABNORMAL EXPOSURE TO DISEASE OR ACCIDENT. THE LAW AUTOMATICALLY EXCLUDES COVERAGE OF THESE POSITIONS BECAUSE THE DUTIES DO NOT PRIMARILY INVOLVE THE "INVESTIGATION, APPREHENSION, OR DETENTION" OF CRIMINALS OR THE "CONTROL AND EXTINGUISHMENT OF FIRES," AND NOT BECAUSE THE POSITIONS DO NOT REQUIRE EXCEPTIONAL VIGOR.

TO MORE FULLY MEET THE LAW'S OBJECTIVE, THE ELIGIBILITY CRITERIA WOULD HAVE TO BE BASED ON THE NEED FOR EXTRAORDINARILY VIGOROUS EMPLOYEES. ESPECIALLY VIGOROUS EMPLOYEES COULD BE NECESSARY WHERE LAPSES IN PERFORMANCE SIGNIFICANTLY AND IMMEDIATELY INHIBIT ACCOMPLISHMENT OF THE AGENCY MISSION AND WHERE THE DUTIES OF THE POSITION REQUIRE

--EXTRAORDINARY PHYSICAL STAMINA AND CONTINUAL MENTAL ALERTNESS OVER LONG PERIODS OR

--FREQUENT SHORT-TERM EXTRAORDINARY PHYSICAL EXERTION UNDER ENVIRONMENTALLY ADVERSE CONDITIONS.

THESE CRITERIA COULD ENCOMPASS, FOR EXAMPLE, THE DUTIES OF AN INDIVIDUAL FREQUENTLY REQUIRED TO MAINTAIN CONTINUAL ALERTNESS DURING ALL NIGHT INVESTIGATIVE SURVEILLANCES OR TO MAKE ARRESTS OF DANGEROUS CRIMINALS OR FIGHT FOREST OR STRUCTURAL FIRES. IN SUCH SITUATIONS, LAPSES COULD RESULT IN IMMEDIATE NEGATIVE CONSEQUENCES. HOWEVER, WE KNOW OF NO PRACTICAL ELIGIBILITY CRITERIA OR ADMINISTRATIVE PROCEDURES

WHICH WOULD MAKE CERTAIN THAT SPECIAL RETIREMENT IS GRANTED ONLY TO EMPLOYEES WHOSE DUTIES REQUIRE EXCEPTIONAL YOUTH AND VIGOR.

CONSIDERING THE ADMINISTRATIVE AND FINANCIAL BURDEN THAT WOULD BE INCURRED IN TRYING TO IDENTIFY SPECIFICALLY WHICH FEDERAL EMPLOYEES PERFORM DUTIES THAT REQUIRE YOUTH AND VIGOR AND CONSIDERING THE EMPLOYEE ROTATIONAL POLICIES EMPLOYED BY SOME AGENCIES, WE BELIEVE THAT CONTINUING TO GRANT SPECIAL RETIREMENT COVERAGE ON THE BASIS OF THE PRIMARY DUTIES OF OVERALL JOB CLASSIFICATION MAY BE THE MOST PRACTICAL CRITERIA FOR COVERAGE UNDER THE SPECIAL RETIREMENT PROGRAM.

AGENCY AND UNION COMMENTS
ON ELIGIBILITY CRITERIA

CSC WITHHELD COMMENT PENDING COMPLETION OF ITS INDEPENDENT REVIEW. OPERATING AGENCIES GENERALLY BELIEVED THAT THE ELIGIBILITY CRITERIA SHOULD BE LEFT ALONE. SOME AGENCIES SAID, HOWEVER, THAT COVERAGE HAS BEEN UNDULY EXPANDED OVER THE YEARS TO POSITIONS THAT DO NOT REQUIRE EXCEPTIONAL YOUTH AND VIGOR THROUGH CHANGES IN LAW, INNOVATIVE INTERPRETATIONS OF LAW AND MODIFICATIONS TO OR INTERPRETATIONS OF JOB DESCRIPTIONS. EMPLOYEE UNIONS SAID THE ELIGIBILITY CRITERIA SHOULD BE EXPANDED TO SPECIFICALLY INCLUDE OTHER FEDERAL JOBS WHICH INVOLVE HAZARD OR PHYSICAL STRESS.

MANDATORY RETIREMENT PROVISION
MAY ENCOMPASS TOO MANY

EFFECTIVE JANUARY 1, 1978, ALL COVERED EMPLOYEES MUST RETIRE WHEN THEY REACH AGE 55 OR COMPLETE 20 YEARS OF SERVICE, WHICHEVER COMES LATER. AGENCY HEADS MAY GRANT INDIVIDUAL WAIVERS UP TO AGE 60 ON A SELECTED BASIS.

THE MANDATORY RETIREMENT PROVISION BEGINNING IN 1978 WILL APPLY TO ALL COVERED EMPLOYEES, INCLUDING SUPERVISORS AND ADMINISTRATORS WHO FREQUENTLY POSSESS VALUABLE EXPERIENCE. ESPECIALLY YOUNG AND VIGOROUS INDIVIDUALS ARE NORMALLY NOT NEEDED TO PERFORM SUPERVISORY OR ADMINISTRATIVE DUTIES OR MANY COVERED OPERATING DUTIES. THE PREMATURE RETIREMENT OF SUCH EMPLOYEES THROUGH THE GENERALIZED APPLICATION OF THE MANDATORY RETIREMENT PROVISION MAY UNNECESSARILY COST THE GOVERNMENT THE VITAL RESOURCE OF EXPERIENCE.

AGENCY AND UNION COMMENTS
ON MANDATORY RETIREMENT

CSC WITHHELD COMMENT PENDING COMPLETION OF ITS INDEPENDENT REVIEW. OPERATING AGENCIES INDICATED THAT THEY DO NOT PLAN TO SEEK EXCEPTIONS TO THE AGE 55 MANDATORY RETIREMENT PROVISION. EMPLOYEE UNIONS GENERALLY WERE OPPOSED TO MANDATORY RETIREMENT AT AGE 55.

AN ALTERNATIVE BENEFIT
STRUCTURE IS AVAILABLE

THE EXISTING BENEFIT FORMULA---2.5 PERCENT OF AVERAGE PAY FOR EACH OF THE FIRST 20 YEARS AND 2 PERCENT OF AVERAGE

PAY FOR EACH YEAR THEREAFTER---PROVIDES AN ECONOMIC INCENTIVE FOR LAW ENFORCEMENT AND FIREFIGHTER PERSONNEL TO RETIRE AT AN EARLIER AGE AND WITH FEWER YEARS OF SERVICE THAN REGULAR CIVIL SERVICE EMPLOYEES. BUT, THE PROGRAM GOES BEYOND COMPENSATING FOR AN ASSUMED OCCUPATIONALLY SHORTENED CAREER BY CONTINUING TO EXTEND LIBERAL BENEFITS WHEN FULL CAREERS ARE SERVED. THAT IS, COVERED PERSONNEL WHO WORK FULL 30-YEAR CAREERS RECEIVE GREATER BENEFITS THAN REGULAR EMPLOYEES WITH SIMILAR PRERETIREMENT EARNINGS AND YEARS OF SERVICE. TO CORRECT THIS, THE BENEFITS COULD BE RESTRUCTURED LIKE THOSE FOR AIR TRAFFIC CONTROLLERS.

THE LAW ALSO PROVIDES SPECIAL RETIREMENT BENEFITS TO AIR TRAFFIC CONTROLLERS. CONTROLLERS ARE ELIGIBLE TO RETIRE ON AN IMMEDIATE ANNUITY AFTER 25 YEARS OF SERVICE OR UPON REACHING AGE 50 AFTER 20 YEARS OF SERVICE. LIKE LAW ENFORCEMENT AND FIREFIGHTER PERSONNEL, THE PURPOSE OF SPECIAL RETIREMENT FOR CONTROLLERS IS TO IMPROVE PUBLIC SAFETY BY MAINTAINING A YOUNG, VIGOROUS WORK FORCE. CONTROLLERS' ANNUITIES ARE NOT, HOWEVER, COMPUTED UNDER A MORE GENEROUS BENEFIT FORMULA. INSTEAD, THEIR ANNUITY IS EQUAL TO THE HIGHER OF (1) THAT PRODUCED BY THE REGULAR CIVIL SERVICE FORMULA OR (2) 50 PERCENT OF AVERAGE PAY. THUS, CONTROLLERS MEETING THE AGE/SERVICE CRITERIA ARE GUARANTEED AN ANNUITY OF AT LEAST 50 PERCENT OF AVERAGE PAY. THE SPECIAL RETIREMENT PROVISIONS FOR CONTROLLERS PROVIDE AN ECONOMIC INCENTIVE TO RETIRE EARLY, BUT THEY DO NOT PERMIT CONTROLLERS CHOOSING TO SERVE FULL 30-YEAR CAREERS TO RECEIVE GREATER RETIREMENT BENEFITS THAN OTHER CIVIL SERVICE EMPLOYEES.

AGENCY AND UNION COMMENTS
ON BENEFIT STRUCTURE

CSC WITHHELD COMMENT PENDING COMPLETION OF ITS INDEPENDENT REVIEW. OPERATING AGENCIES GENERALLY TOOK THE POSITION THAT COVERED EMPLOYEES SHOULD RECEIVE GREATER BENEFITS THAN OTHER EMPLOYEES WITH SIMILAR EARNINGS AND YEARS OF SERVICE. IN THAT REGARD, MOST AGENCIES BELIEVED THE BENEFIT STRUCTURE USED FOR AIR TRAFFIC CONTROLLERS WOULD NOT BE APPROPRIATE FOR LAW ENFORCEMENT OR FIREFIGHTER PERSONNEL. EMPLOYEE UNIONS SAID THE MORE LIBERAL BENEFIT STRUCTURE IS JUSTIFIED.

FULL COSTS OF RETIREMENT BENEFITS
SHOULD BE RECOGNIZED AND FUNDED

IN PREVIOUS REPORTS TO THE CONGRESS AND THE POST OFFICE AND CIVIL SERVICE COMMITTEES AND TESTIMONY BEFORE THIS SUBCOMMITTEE WE HAVE TAKEN THE POSITION THAT THE FULL COSTS OF CIVIL SERVICE RETIREMENT BENEFITS, INCLUDING EXPECTED PAY AND ANNUITY INCREASES SHOULD BE FULLY RECOGNIZED AND FULLY FUNDED. THIS APPLIES EQUALLY TO THE ADDITIONAL COSTS OF THE SPECIAL RETIREMENT BENEFITS. THE PROPER RECOGNITION OF RETIREMENT COSTS WOULD ENABLE THE CONGRESS NOT ONLY TO MAKE WELL-INFORMED DECISIONS ON RETIREMENT MATTERS BUT ALSO TO BETTER EVALUATE THE COST EFFECTIVENESS OF AGENCY PROGRAMS. IN OUR OPINION, THE PREFERABLE APPROACH TO RETIREMENT FUNDING WOULD REQUIRE COST RECOGNITION AND FUNDING ON A "DYNAMIC" BASIS, WITH FULL CONSIDERATION OF THE EFFECT OF PAY RAISES AND

COST-OF-LIVING ADJUSTMENTS ON ULTIMATE ANNUITY PAYMENTS, AND ALLOCATION OF ALL GOVERNMENT RETIREMENT COSTS TO AGENCY OPERATIONS.

UNTIL THE TRUE COSTS OF CIVIL SERVICE RETIREMENT BENEFITS ARE FULLY RECOGNIZED AND FULLY FUNDED, THE CONGRESS SHOULD AMEND THE LAW TO REQUIRE CONTRIBUTIONS FROM EMPLOYING AGENCIES EQUAL TO THE DIFFERENCE BETWEEN EMPLOYEE CONTRIBUTIONS (CURRENTLY 7.5 PERCENT OF PAY) AND THE STATIC NORMAL COST OF SPECIAL BENEFITS (CURRENTLY ABOUT 20 PERCENT OF PAY). SUCH ADDITIONAL CONTRIBUTIONS WOULD SERVE TO BETTER RECOGNIZE THE COSTS OF SPECIAL RETIREMENT BENEFITS AND LAW ENFORCEMENT/FIREFIGHTING FUNCTIONS.

- - - - -

THIS CONCLUDES MY STATEMENT, MADAM CHAIR, AND I WILL BE PLEASED TO ANSWER QUESTIONS.