DOCUMENT RESUME

06026 - [B1386426]

[Legislation To Amend the Comptroller General's Retirement System]. May 17, 1978. 4 pp. + enclosure (7 pp.).

Testimony before the House Committee on Government Operations: Legislation and National Security Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.
Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee.
Authority: Budget and Accounting Act [of] 1921, as amended. P.L. 94-554. 31 U.S.C. 43b. H.R. 12196 (95th Cong.).

H.R. 12196 would provide for cost-of-living adjustments to a retired Comptroller General's annuity by a formula identical to that provided for annuitants under the civil service retirement system. In 1953, a separate retirement system was enacted for the Comptroller General. The office was considered similar in character, tenure, and independence to the office of a Federal judge. While both the Comptroller General and a Federal judge retire at full salary, a retired judge's annuity is adjusted by the same increase and at the same time that an active judge's salary is increased. Under existing law, a retired Comptroller General receives no adjustment. In 1976, the program for providing annuities to survivors of Federal judges was updated, including the authorization of a cost-of-living adjustment. No adjustment of any kind in a Comptroller General's survivor's annuity is now authorized. The proposed legislation would authorize a cost-of-living adjustment for the Comptroller General's survivors. Like Federal judges, he would be required to contribute 4.5% of his annual salary and retirement pay for that purpose. The legislation would also make other amendments to the Comptroller General survivorship law similar to those that judges received under the 1976 amendment to the survivorship law. (RRS)

6426

United States General Accounting Office

Washington, D.C. 20548

For Release on Delivery
Expected at 10:00 A.M.
May 17, 1978

STATEMENT OF

ELMER B. STAATS

COMPTROLLER GENERAL OF THE UNITED STATES

Before the

SUBCOMMITTEE ON LEGISLATION AND NATIONAL

SECURITY OF THE COMMITTEE ON GOVERNMENT OPERATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

ON

H.R. 12196, 95th Congress

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear here today in support of two bills--H.R. 12171 and H.R. 12196--that affect the General Accounting Office.

First of all, I want to express my personal appreciation to you, Mr. Chairman, for your introduction of these two bills. From our many discussions over the years, I know that we share a common objective in finding ways to strengthen the General Accounting Office as an oversight arm of the Congress. May I also take the opportunity to express my appreciation and that of my associates for your continued support and the support of the Members of this Committee. Our workload has grown and the matters with which we must deal have become increasingly complex over the years. This Committee and the Senate Committee on Governmental Affairs have had a special relationship to the General Accounting Office and, indeed, these Committees share in the oversight of the work of the General Accounting Office itself. We will need your support in the years ahead.

The bills which you have under consideration, and a proposal on the applicability of the Civil Service laws to the General Accounting Office which will be handled by another committee, have been the subject of careful study by us over a long period of time. In our opinion the enactment of these bills will greatly strengthen the basic charter of the General Accounting Office, and will enable us to better serve the Congress in the years ahead.

For the purposes of this morning's hearing we have a prepared statement for each bill as well as material that has been submitted for the record.

With your permission, Mr. Chairman, I would like first to discuss H.R. 12196 as well as respond to any questions you have on the bill.

In 1953 a separate retirement system was enacted for the Comptroller General. The office was considered similar in character, tenure, and independence to the office of a Federal judge. Accordingly, its provisions were patterned after their retirement benefits. A Comptroller General is not eligible for reappointment after serving his 15-year term, and that period was viewed to be of insufficient longevity to give entitlement to an annuity under the civil service retirement act commensurate with the responsibilities of the office.

The significant difference between the retirement benefit of a Comptroller General and a Federal judge is that while both retire at full salary a retired judge's annuity is adjusted by the same increase and at the same time that an active judge's salary is increased. A retired Comptroller General under existing law receives no adjustment. The proposed legislation would provide for cost-of-living adjustments on a retired Comptroller General's annuity by an identical formula to that provided for annuitants under the civil service retirement act.

In 1959 the Comptroller General's retirement law was amended to provide survivorship benefits on substantially the same basis as those provided under a 1956 law for survivors of Federal judges. The surviving spouse of a retired Comptroller General or Federal judge receives an annuity based on a statutory formula. The ceiling by law for both prior to 1976 was 37-1/2 per cent of the average salary for the last 5 years of creditable service, and with specified monetary and age limitations for dependent children. In 1976 the program for providing annuities to survivors of Federal judges was updated. An important aspect was the authorization of a cost-of-living adjustment. No adjustment of any kind in a Comptroller General's survivor's annuity is now authorized.

The proposed amendment to the Comptroller General retirement survivorship provisions would authorize a cost-of-living adjustment for his survivors. Like Federal judges it would require him from the time of election of survivorship benefits to contribute 4.5 per cent of his annual salary and retirement pay for that purpose. The amendment would make certain other amendments to the Comptroller General survivorship law similar to those which judges received under the 1976 amendment to their survivorship law.

We support the provisions of H.R. 12196 and hope that this will be given prompt and favorable consideration by the Congress.

Mr. Chairman, this completes my prepared statement on H.R. 12196. We would be pleased to answer any questions you have on this bill at this time.

SUBMISSION FOR THE RECORD

DETAILED ANALYSIS OF H.R. 12196

The Budget and Accounting Act, 1921, was amended in 1953 to authorize a retirement annuity for the Comptroller General. The Comptroller General, upon retirement on permanent disability after 10 years in office or upon completion of his term, is entitled to the salary payable for his office at the time of retirement or completion of his term. On the other hand, Federal judges during retirement, including disability retirement, receive the current salary of the office. Thus, a retired Federal judge receives the benefit of subsequent increases in the salary of the office. A retired Comptroller General does not receive such increases or any other adjustment of this retirement annuity. For example, Mr. Lindsay Warren retired as Comptroller General in 1954 on disability at full salary of $17,500. From that date to the time of his death in December 1976, a period of over 20 years during which very significant salary increases occurred, his retirement annuity remained the same. Under a similar situation Mr. Joseph Campbell upon his retirement drew an annuity of $30,000, which is the rate he still receives. During the period from 1954 a Federal Court of Appeals judge who retired on disability after an identical period of service would have received a retirement salary increase from $15,000 to $44,600 (now $57,500).

In 1959 the Comptroller General's retirement law was amended to provide survivorship benefits to his widow and dependent children on substantially the same basis as those provided dependents of Federal judges. No reform or updating has occurred in the benefits of survivors of a Comptroller General since the inception of the program. By Public Law 94-554, dated October 19, 1976, however, the program for providing annuities to survivors of Federal judges was substantially updated. An important aspect was the authorization of cost-of-living adjustments. No adjustment of any kind in a Comptroller's survivors annuity is now authorized.

While an extensive restructuring of the Comptroller General's retirement law, including survivor benefits, would seem unnecessary, changes are needed to authorize certain benefits which both the judges and civil service retirement law now authorize to Members of Congress, judges, civilian officials and employees, and their survivors. As the situation currently exists, the Comptroller General appears to be the only official of the Federal Government whose retirement and survivor benefits are not adjusted to take into account increases in the cost of living.

To remedy this situation, H.R. 12196 provides for the payment of cost-of-living adjustments in a retired Comptroller General's annuity and his survivors annuity. The formula proposed is the same one now provided for annuitants under the

Civil Service Retirement Act, and other retirement laws, by Public Law 94-440. That formula authorizes a semi-annual cost-of-living adjustment effective March 1 and September 1 each year. It is based on the actual cost-of-living increase in the preceding 6-month period.

A Comptroller General or retired Comptroller General who elects survivorship benefits now contributes 3 percent of his annual salary and retirement pay for that purpose. The same percentage was contributed by judges prior to Public Law 94-554, which increased the required contribution to 4.5 percent. That increase was considered necessary, in part, for judges to share in financing the prospective cost-of-living increases to their survivors authorized by Public Law 94-554. The judges' survivorship program was completely recast, including a requirement for matching funds by the Government, so the program would be actuarially sound. The Comptroller General's survivor benefits relate to a "one office" program and no special fund exists. The fiscal year appropriations for the GAO contain a line item covering annuity payments for retired Comptrollers General in accordance with 31 U.S.C. § 43b(r). The benefits proposed here are more limited than those in the judges' program. For example, a judge's surviving spouse's annuity commences immediately without regard to age of the survivor, whereas a Comptroller General's surviving spouse under age 50 is not entitled to receive an annuity until age 50. Also, a Comptroller General's surviving dependent child's annuity terminates at age 18 whereas a judge's surviving dependent child who is a full time student may receive an annuity until age 22. Nevertheless, we believe that a Comptroller General or a retired Comptroller General should share the increased cost. Thus, we endorse the increase in contribution proposed by H.R. 12196 from 3 percent to 4.5 percent. It is the identical increase as was approved for judges.

The other amendments proposed by H.R. 12196 are (1) the annuity for dependent children would be increased to equal that authorized for dependent children of judges; (2) the annuity payable to a widow at time of death of a Comptroller General would be computed in part by use of the average annual salary received by a Comptroller General for "those three years of service in which his annual salary was greatest" (this would replace the existing use of the "last five years" of creditable service--a similar amendment to the judges' program was made by Pub. L. No. 94-554); and (3) the ceiling on a widow's annuity would be increased from 37 1/2 percent not to exceed 40 percent of the average salary of the Comptroller General under the survivor annuity provision (an identical amendment was made to the Judges' survivorship program by Pub. L. No. 94-554). There are attached brief comparisions of the relevant existing laws to the proposals of H.R. 12196.

Annuity Benefits
of Comptroller General

Mandatory retirement
at age 70

If retired for age after 10 years in office receives full salary of office at time of retirement. Upon completion of term shall be retired at full salary of office at time of retirement, provided that a reduction of 1/4 of 1 % is required for each full month he is under age 65 at time of such completion.

Upon permanent disability retirement he receives full salary of office at time of retirement if he has served 10 years therein; or 1/2 the salary if he has served less than 10 years.

A Comptroller General who is removed or resigns from Office prior to completion of his term forfeits any right to the annuity

No adjustment in his retirement annuity is authorized. He continues to get only the salary payable at time of his retirement.

Proposed Change:

Would authorize a cost of living adjustment in a retired Comptroller General's annuity under the same formula now provided for annuitants under Civil Service retirement act.

Annuity Benefits of Justices
and Judges of United States

No Mandatory retirement age

At age 70 may retire at full salary of office, provided he has served 10 years; may retire at age 65 at full salary of office provided he has served 15 years

Upon permanent disability retirement he receives full salary of office if he has served 10 years or 1/2 the salary if he has served less than 10 years.

Retired judges receive the same increase in salary as judges on active duty; that is, a retired judge is entitled to have his annuity increased by the same amount and at the same time as the salary of an active judge is increased.

Present Annuity Survivorship Benefits	Annuity Survivorship Benefits Prior to Public Law 94-554	Annuity Survivorship Benefits - Pub. Law. 94-554 (S.12 - 94th Cong.) (S.R. No. 94-799; see pp. 41-56); House Report No. 94-1604)	Proposed Annuity Survivorship Benefits Comptroller General
Comptroller General	Federal Judges	Federal Judges	Comptroller General
1. Contributes 3% of salary and retirement pay	Judge contributes 3% of annual salary including "retirement salary"	Judges' contribution increased to 4.5%; creates statutory requirement for "matching amounts" by Government	Increase of contribution to 4.5%
2. Dependent child's annuity terminates at age 18 unless incapable of self-support due to physical or mental disability	Dependent child's annuity terminates at age 18 unless incapable of self-support due to physical or mental disability	Dependent children who are full-time students may continue to receive annuity until age 22	No change requested by GAO
3. Only surviving widow is entitled to annuity	Only surviving widow is entitled to annuity	Establishes equality of eligibility for widowers and widows	No change requested by GAO
4. Widow qualifies for annuity 2 years after date of marriage to Comptroller General	Widow qualifies for annuity 2 years after date of marriage to Judge	Adopts a one-year eligibility period	No change requested by GAO
5. Widow who is under age 50 is not entitled to annuity until age 50, unless Comptroller General is also survived by at least one dependent child	Judge's widow who is under age 50 is not entitled to receive annuity until age 50 unless judge is also survived by at least one dependent child	Surviving spouse's annuity will commence on day after judge dies - age limitation deleted	No change requested by GAO
6. If no prior creditable service, a deposit is required for 5 years of service as Comptroller General to create eligibility for his survivors	A judge with no prior creditable service may use 5 full years of his judicial service, by contributing 3% of judicial salary, to create eligibility for his survivors	Adopts an 18 month period in lieu of the 5 year period	No change requested by GAO
7. Credit is allowable for prior service upon deposit of 3% of salary received for such service. That deposit must be for 5 years of prior service to create, in itself, survivorship annuity entitlement	Judge who has rendered other service prior to judicial appointment may immediately upon such appointment qualify for survivorship benefits by depositing a sum equal to 3% of salary for 5 years of the prior service	Changes 5 year period to an 18 month period as minimum deposit period	No change requested by GAO

Present Annuity Survivorship Benefits	Annuity Survivorship Benefits Prior to Public Law 94-554	Annuity Survivorship Benefits - Pub. Law. 94-554 (S.12 - 94th Cong.) (S.R. No. 94-798; see pp. 41-56); House Report No. 94-1604)	Proposed Annuity Survivorship Benefits Comptroller General
Comptroller General	Federal Judges	Federal Judges	Comptroller General
8. Dependent children's annuity may not exceed $900 per year divided by number of dependents or $360 per year, whichever is lesser provided widow is also receiving annuity. If she is not, the child's annuity shall not exceed $480 per year.	Dependent children annuity may not exceed $900 per year divided by number of dependents of $360 per year, whichever is lesser provided widow is also receiving annuity. If she is not, the child's annuity shall not exceed $480 per year	Dependent children of judge whose spouse is receiving annuity will receive either $1,548.00 or $4,644.00 divided by number of dependent children, whichever is smaller; if spouse is not, the child will receive either $1,860.00 or $5,580.00 divided by number of dependent children, whichever is smaller	Dependent children of Comptroller General whose spouse is receiving annuity will receive either $1,458.00 or $4,644 divided by the number of dependent children, whichever is lesser; if spouse is not, the dependent children will receive (1) the amount the widow would have been entitled had she survived divided by the number of dependent children or (2) $1,860, (3) or $5,580 divided by the number of dependent children whichever is the smallest
9. Computation of widow's annuity based in part on average annual salary during "last five years" of creditable service	Computation of widow's annuity is based in part on average annual salary of judge during his "last five years" of creditable service	The "average annual salary" factor time period is changed to the "highest three years"	The "average annual salary" factor time period is changed to the "highest three years"
0. Widow's annuity shall not exceed 37 1/2 percentum of such average annual salary	Widow's annuity "shall not exceed 37 1/2 percentum of [the] average annual salary." (Under the program's annuity formula this results in a maximum number of years creditable service being 30 years.)	The revision will allow the crediting of 32 full years of service	The revision will allow the crediting of 32 full years of service
1. No provision for cost-of-living increase in annuity for survivors	No provision for cost-of-living increase in annuity for survivors	Adopts (1) a retroactive cost-of-living formula of 1/5 of 1% for each month an annuity has been in existence and (2) adoption of a prospective cost-of-living increase formula of 3% for every 5% increase in judicial salaries	Would authorize prospective cost-of-living adjustment in a retired Comptroller General's survivor annuity under the same formula now provided for survivor annuitants under the Civil Service Retirement Act