



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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PLM II

November 10, 1980

B-170232

Needs abstract

The Honorable Melvin Price
Chairman, Committee on
Armed Services HSE 00500
House of Representatives

The Honorable Bob Wilson
Ranking Minority Member
Committee on Armed Services
House of Representatives

Your letter of September 17, 1980, about our work in the military compensation area was quite disturbing to me. Aside from expressing dissatisfaction with our September 4 letter in which we made various suggestions on S. 91, a bill to revise the military Survivor Benefit Plan, the basic purpose of your letter seemed to be to suggest that our Office should not be reviewing policy issues within the Committee's jurisdiction.

I believe there may be some misunderstanding of our comments on S. 91 and our purpose in providing them. We agree that there are inequities in the Survivor Benefit Plan which should be changed. By no means should our letter be interpreted to mean that "GAO opposes improvements to the Survivor Benefit Plan" as your letter characterized our position.

For purposes of consistency and equity, the survivor benefit reduction for participating military retirees should not be the same as that required for civil service retirees since the benefits payable to military survivors are offset by survivor benefits received from social security. There is no social security offset against civil service survivor benefits because civil service retirees are not covered by social security. Thus, the military plan alone provides less survivor benefits than the civil service plan, even though retirees under the two plans must take the same reduction in their retirement benefits. As you noted, military retirees' benefit reductions may even amount to more than the benefits their survivors will receive.

Our concern, and source of disagreement with S. 91, was that since military members' costs were too high, a more appropriate remedy would be to reduce those costs, not

[Comments INVOLVING S.91]

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increase the benefits. Increasing the benefits as S. 91 will do--by reducing the social security offset to 40 percent--now means that the military plan, with social security, will no longer provide benefits comparable to those provided to the survivors of civil service retirees, and will, in fact, make the military plan superior to other Government plans.

(One of our primary reasons for examining and commenting on Federal retirement policies and practices is that there is no overall policy covering the many programs for Federal personnel.) Because these programs have evolved independently, there are wide variations and inconsistencies among them, and many of these differences have no apparent explanation. A good example of this is the survivor benefit provisions under the various systems, including the different methods used to recalculate survivor benefit reductions when cost-of-living adjustments are made to retired pay. Our review that you mentioned pertains mainly to the Office of Personnel (OPM) and the way it recalculates these reductions under the civil service retirement system. Inasmuch as we are finding that OPM's method is inappropriate and that it is costing an extra \$100 million annually, we cannot agree that our efforts in reviewing this matter are an inefficient use of resources. We continue to believe that the method used by the Department of Defense for the military Survivor Benefit Plan should also be used by OPM. (It was for that reason that we suggested that the S. 91 provision that would apply the OPM method to the military plan should not be enacted) GAO 000060

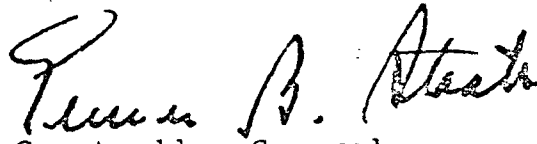
As a matter of policy, the General Accounting Office places great importance on keeping in contact and working with the appropriate committees when planning and carrying out our work. Earlier this year, in fact, our respective staffs met and discussed various military compensation matters, including S. 91. As a result, we stopped planned work on the military Survivor Benefit Plan and the Retired Servicemen's Family Protection Plan. So, although we did no full-scale work on the military plan, we felt obligated to comment on the issues as we saw them, as indicated in our September 4 letter. On other occasions, we have also adjusted our plans and work on military pay and benefits after talks with your and other committee staffs. This dialogue is very helpful to us, and we hope to continue it. GAO 00001

As I mentioned, the foundation for most of our work in the area of Federal retirement is the need for an overall policy and the many problems--most notably inconsistent and inequitable benefits and financing--that the lack of an overall policy and piecemeal evolution of systems has brought

about. In June 1976, you and two other committee chairmen also pointed out the need for an overall policy and asked that we undertake a comprehensive study of the various Federal retirement programs. Our December 1978 report (copy enclosed) strongly agreed with your analysis of the basic problem and accordingly recommended that the appropriate committees set in motion the necessary actions to establish an overall Federal retirement policy and a mechanism for coordinating the management of Federal retirement systems. We believe such actions are essential and are confident you would agree that this perspective is an appropriate one for our continuing to evaluate and comment on the various aspects of the Federal retirement systems, including military retirement.

(Federal retirement is just one example of much of the work of the General Accounting Office where we look at problems across agency lines and committee jurisdictions. It is important to us to both honor specific congressional requests for work as well as initiate our own evaluations under our responsibility for reviewing the operations of the executive branch. We believe this dual role is the most effective and useful way of improving congressional oversight of the full range of Federal agencies and programs.)

I trust that these comments have been helpful and will provide a better perspective on our September 4 letter and our work in general in the military compensation area.


Comptroller General
of the United States

Enclosure