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CONGRESSIONAL RECORD — SENATE

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REPORT ON HIGH COSTS PERTAINING TO SITES FOR SELECTED LOW-RENT HOUSING PROJECTS

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on high costs pertaining to sites for selected low-rent housing projects in the area administered by the San Francisco Regional Office, Public Housing Administration, Housing and Home Finance Agency, dated December 1963 (with an accompanying report); to the Committee on Government Operations.

REPORT ON EXCESSIVE PRICE PAID FOR PROPULSION REDUCTION GEARS PURCHASED FROM WESTINGHOUSE ELECTRIC CORP.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the excessive price paid for propulsion reduction gears purchased from Westinghouse Electric Corp., Sunnyvale, Calif., Department of the Navy, dated December 1963 (with an accompanying report); to the Committee on Government Operations.

REPORT ON UNNECESSARY COSTS BEING INCURRED AS A RESULT OF THE NAVY'S REFUSAL TO ACCEPT THE STANDARDIZED OFFICERS' DRESS SHOES

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the unnecessary costs being incurred as a result of the Navy's refusal to accept the standardized officers' dress shoes agreed upon by the Army, Air Force, and Marine Corps, Department of Defense, dated December 1963 (with an accompanying report); to the Committee on Government Operations.

ADJUSTMENT OF IMMIGRATION STATUS

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered in behalf of Ho Liu, Irene Liu, and Jefferson Liu, relating to adjustment of their immigration status (with accompanying papers); to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, and referred as indicated:

By the ACTING PRESIDENT pro tempore:

A resolution adopted by the Nashville Area Chamber of Commerce, Nashville, Tenn., relating to Federal expenditures, Federal income tax reduction, and sound fiscal policy; to the Committee on Finance.

A resolution adopted by the Windham County Democratic Association, of north-eastern Connecticut, favoring the enactment of legislation to designate November 22 as President Kennedy Memorial Day, ordered to lie on the table.

ADJUSTMENTS IN FOREIGN SERVICE ANNUITIES—REPORT OF A COMMITTEE—MINORITY VIEWS (S. REPT. NO. 813)

Mr. SPARKMAN. Mr. President, from the Committee on Foreign Relations, I report favorably with amendments, the bill (S. 745) to provide for adjustments in annuities under the Foreign Service retirement and disability system, and I submit a report thereon. I ask unanimous consent that the report be printed, together with the minority views of Senators LAUSCHE, WILLIAMS of Delaware, and MUNDT.

*The PRESIDING OFFICER (Mr. INOUYE in the chair). The report will be received and the bill will be placed on the

calendar; and, without objection, the report will be printed as requested by the Senator from Alabama.

Mr. LAUSCHE. Mr. President, I ask unanimous consent to have printed in the RECORD the minority views in connection with Senate bill 745, which has just been reported by the Senator from Alabama [Mr. SPARKMAN].

The PRESIDING OFFICER. Without objection, it is so ordered.

The minority views are as follows:

MINORITY VIEWS

It is our opinion that this bill should not be acted upon favorably because, if adopted:

1. It will grant to certain individuals rights to which they are not entitled and which will make these particular individuals the beneficiaries of grants not given equally to other persons in the Foreign Service retirement program.

2. Allow these special retirees now to designate their respective wives as beneficiaries, in the event they are survived by their wives, without requiring the retirees to pay back into the Treasury excess amounts which the fund paid them upon their retirement because they did not select to have their wives designated as beneficiaries.

3. Treat unjustly those retirees who did designate their wives as survivor beneficiaries and thus suffered a reduction in the retirement pay which they received.

4. Create further complications and the need for further adjustments when those retirees who did designate their wives as survivor beneficiaries learn of the losses which they suffered through the reduction in retirement pay because they did designate their wives as survivor beneficiaries.

5. Definitely create an inequality of treatment of the persons covered by the fund.

6. Give encouragement to the administration of retirement funds completely inconsistent with prudence and actuarial rules.

7. Require the payment of the obligations created by the bill not out of the Foreign Service retirement fund but out of the general taxpayers' fund of the Federal Government.

Any beneficiary under this bill at the time of retirement from the Foreign Service had the option of either designating or not designating a potential surviving spouse as a beneficiary. The retiree had to decide whether he would prefer getting an increased retirement pay for himself without designating his wife as a beneficiary; or a decreased retirement pay by so designating his spouse.

Many retirees did designate their spouses as beneficiaries and thus received less money for themselves during their lifetime. There were others who exercised the option of getting more pay for themselves but excluding their spouses as beneficiaries.

If this bill is adopted it will result in unequal treatment as between these two classes of retirees. The retiree for whom this bill is being passed will now be allowed to designate the spouse as a beneficiary but will also be allowed to keep all of the excess pay that he received from the fund since his retirement.

However, the Foreign Service worker who, at the time of retirement, elected to have his spouse designated as a beneficiary, of course, received less money. There is no provision in the bill reimbursing those retirees for their losses. We are of the opinion that this latter class, when it learns of the discriminatory treatment to which this bill will subject them, will justifiably come before the Congress asking that they be given equal consideration.

With regard to this Foreign Service retirement plan, we have an exhibition of what reckless and imprudent disregard for actuarial rules does to the stability of a retirement

plan that was originally set up on a sound basis. The retirement plan of the Foreign Service was adopted by Congress in 1924. At that time, it provided for employee contributions equal to 5 percent of salary up to \$9,000; and Government appropriations necessary to continue the plan in full force, the aggregate total of Government appropriations not to exceed the aggregate total of officer contributions plus interest. However, at various times forces began to operate for liberalizations of rights and payments.

Some of the liberalizations that the Congress adopted are as follows:

1. In 1939, officers who had served 30 years could retire at age 60, on a reduced annuity.

2. In 1939, survivor annuities for wives were first provided.

3. In 1941, the act was changed to permit retirement with 30 years of service at age 50.

4. In 1946, voluntary retirement at age 50 with 20 years of service was permitted.

5. In 1946, disability retirement was liberalized so that when a participant in the system becomes disabled, if he has at least 5 years of service, his annuity is figured on the basis of a minimum of 20 years of service.

6. Also in 1946, the act was amended to provide that an annuity would be based on the officer's 5-year average salary next preceding retirement, rather than the 10 years next preceding retirement.

7. In 1955, it was changed to the best 5-year average, rather than the 5 years next preceding retirement.

8. In 1956, the limitation on years of service on which an annuity could be based was raised to 35 years, thus allowing 70 percent of the highest 5-year average salary as an annuity.

9. In 1960, the retirement system was changed to provide that Foreign Service Staff personnel, after they have served 10 years in the Foreign Service, become participants in the Foreign Service retirement system. During the first 10 years of their service they are subject to the Civil Service Retirement Act.

10. In 1960, survivor annuities for children were also granted.

11. And, in 1960, the act was amended to provide for recomputation of annuities of those who had retired prior to 1956 to allow those with more than 30 years to be given added credit for the difference up to 35 years.

A measure of the dollar impact of these liberalizations on the unfunded liability of the system is not available. But, partly as a consequence of these liberalizations the fund is now in an indefensible state of instability.

The limitation of 5 percent of salary up to \$9,000 provided by the 1924 act was changed to \$10,000 on February 23, 1931; changed to \$13,500 on August 13, 1946; and removed altogether on August 5, 1955. The limitation on Government appropriations to the fund which was a provision from the establishment of the system in 1924, was removed on April 24, 1939, Government payments were to be in the form of annual appropriations based upon an actuarial determination of the contribution required. Frequently the Congress did not appropriate all or any part of the funds requested for this purpose.

Subsequently on September 8, 1960, the law was again changed with respect to contributions requiring that the employees and the U.S. Government each pay 6½ percent effective July 1, 1961.

Existing now with respect to this retirement program is the indefensible and unbelievable situation that because of liberalizations in rights and other causes it requires a contribution of 29.7 percent to maintain the fund. If the contributions were to be made on an equal basis by employer and employee, each would have to contribute 14.8½ percent of the payroll. The Government now owes \$288 million to the fund; the receipts of the fund are now equal to 13 per-

cent of the payroll of the Foreign Service which is approximately \$250 million. It is essential that this inadequacy of contribution be solved.

We have been told that a proposal will be made to continue the payment of the employees at 6½ percent of their salaries but that the general taxpayers will then be required to contribute 23.2 percent of the payroll.

Illustrative of the unbelievable situation that prevails in the fund is the fact that into it now on the basis of a 13-percent contribution (8½ percent by the Government and 6½ percent by the workers) in fiscal year 1962, the fund received \$6 million while it paid out for all purposes \$5.5 million. An actuarial projection of funds, known obligations, and anticipated receipts reveals that unless measures are taken to improve the financing of the fund it will be depleted by 1977 and unable to meet future obligations. Obviously, this situation is bad. It is the result of failure to recognize when the liberalizations were made what the ultimate consequences would be. Many times when new rights were granted to one group, subsequently new rights had to be granted to another in order to equalize the consideration given.

We believe that Congress should not act favorably upon this bill because, if adopted it will treat persons covered by the fund unequally. In addition, its adoption would encourage the imprudent and actuarially unsound administration of retirement funds; and would further obligate the general taxpayers' fund of the Federal Government, rather than the Foreign Service retirement fund. We believe that rather than further adding to the unfunded liability of the Foreign Service retirement plan Congress should be considering viable proposals to solve the deficiency in the fund aggravated by the liberalizations adopted in the past.

FRANK J. LAUSCHE,
JOHN J. WILLIAMS,
KARL E. MUNDT.

Mr. LAUSCHE. Mr. President, this bill contemplates the liberalization of the retirement payments in the Foreign Service, because of previous liberalization running through the years. The situation now requires a 29.7 percent of wages to be contributed to the fund in order to make it actuarially sound. It has been suggested that the workers in the Foreign Service put up 6½ percent and that the taxpayers put up 23.2 percent of the salaries in order to maintain it financially feasible.

It is one of the most indefensible, imprudent expansions of taxpayers' funds that is probably on record in the history of Congress.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and by unanimous consent, the second time, and referred as follows:

By Mr. WILLIAMS of New Jersey:

S. 2402. A bill to suspend for a temporary period the import duty on polyethylene imine; to the Committee on Finance.

By Mr. TALMADGE:

S. 2403. A bill to amend section 7701 of the Internal Revenue Code of 1954 to clarify the tax status of certain professional associations and corporations formed under State law; to the Committee on Finance.

By Mr. HART:

S. 2404. A bill for the relief of Carleen Coen; to the Committee on the Judiciary.

By Mr. KEATING (for himself and Mr. DOUGLAS):

S. 2405. A bill to amend the International Claims Settlement Act of 1949, as amended, to provide for submission of certain claims agreements to the Senate for its advice and consent; to the Committee on Foreign Relations.

(See the remarks of Mr. KEATING when he introduced the above bill, which appear under a separate heading.)

By Mr. HARTKE:

S. 2406. A bill for the relief of Ioannis Kosmakos; and

S. 2407. A bill for the relief of Nikolaos Vilos; to the Committee on the Judiciary.

By Mr. MOSS:

S. 2408. A bill to provide for granting employees in the postal field service time off for one State holiday each year; to the Committee on Post Office and Civil Service.

By Mr. KEATING:

S.J. Res. 140. Joint resolution proposing an amendment to the Constitution to create the offices of Executive Vice President and Legislative Vice President; to the Committee on the Judiciary.

(See the remarks of Mr. KEATING when he introduced the above joint resolution, which appear under a separate heading.)

CONCURRENT RESOLUTION

TO PRINT AS A SENATE DOCUMENT, WITH ADDITIONAL COPIES, MEMORIAL COPIES OF INAUGURAL ADDRESS OF THE LATE PRESIDENT KENNEDY ON JANUARY 20, 1961

Mr. HUMPHREY. Mr. President, I submit a concurrent resolution which reads as follows:

Resolved by the Senate (the House of Representatives concurring),

SECTION. 1. That there be printed as a Senate document, in such style, form, and manner as may be directed by the Joint Committee on Printing, memorial copies of the inaugural address delivered by the late President, John F. Kennedy, upon the occasion of his inauguration on January 20, 1961.

Sec. 2. There shall be printed 60,000 additional copies of such document, of which 20,000 shall be for the use of Members of the Senate and 40,000 shall be for the use of Members of the House of Representatives.

Mr. President, I send the concurrent resolution to the desk to have it appropriately referred. I have read the text of the concurrent resolution because I wish the RECORD to show that this procedure is now underway. I am very hopeful that early in January 1964 the committee will be able to report the concurrent resolution favorably. There is already a great demand for this particular document.

The PRESIDING OFFICER. The concurrent resolution will be received and referred to the Committee on Rules and Administration.

The concurrent resolution (S. Con. Res. 70) was referred to the Committee on Rules and Administration.

RESOLUTION

TO PRINT AS A SENATE DOCUMENT A REPORT ENTITLED "PERSONNEL ADMINISTRATION AND OPERATIONS OF AGENCY FOR INTERNATIONAL DEVELOPMENT"

Mr. MCGEE submitted the following resolution (S. Res. 237); which was re-

ferred to the Committee on Rules and Administration:

Resolved, That there be printed as a Senate document a report entitled "Personnel Administration and Operations of Agency for International Development," submitted by Senator GALE W. MCGEE to the Committee on Appropriations and that 10,000 additional copies be printed for the use of that committee.

CLAIMS AGREEMENTS SHOULD BE HANDLED AS TREATIES, KEATING URGES

Mr. KEATING. Mr. President, on behalf of the Senator from Illinois [Mr. DOUGLAS], and myself, I introduce, for appropriate reference, legislation to require Senate ratification of any claims agreement made with foreign nations for claims adjudicated by the Foreign Claims Settlement Commission.

The purpose of this legislation is clear. In the International Claims Settlement Act of 1949, as amended, the Congress has established the procedure whereby the Claims Commission investigates and adjudicates the claims of U.S. citizens against foreign countries.

At present most of the claims under consideration are for property seized and nationalized by Communist governments in Eastern Europe. In the future these claims may well include expropriation claims against other nations throughout the world.

What has happened so far in the settlement of these claims is instructive. The Foreign Claims Settlement Commission has set a total claims value for each nation involved. Then, time and again the State Department "has negotiated with the countries seizing U.S. property and settled for 40 percent, 30 percent, 24 percent, and the Czech case less than 10 percent of the full amount determined by the Claims Commission." Explicitly or implicitly, the agreements reached have not been limited to claims settlements, but have included other points at issue and frequently trade agreements have been the quid pro quo to get agreement by the Communist governments on the claims owed.

The result of these actions by the Department of State has been to deprive U.S. citizens of property, in the form of validated claims, without due process of law and with no further appeal to any agency of the Government.

In the Czech case, for instance, the Department of State has in effect admitted that they would be prepared to settle for about \$11 million of a total of \$113.6 million, including both principal and interest. Furthermore, I should be glad to make available the contradictory correspondence which I have had on this matter to any interested Members of the Senate so that they can review it.

Mr. President, I introduced an amendment along these lines, but referring only to the Czech settlements, when the foreign aid bill was before the Senate. Basically I regard an agreement to accept less than 10 percent on a dollar of adjudicated claims as a form of foreign aid at the expense of U.S. taxpayers.

However, in a technical sense, this issue can even more properly be considered as an amendment to the Interna-