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by Ways & Means Committee



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

IN REPLY PLEASE REFER TO

YOUR REFERENCE

April 19, 1967

Honorable Wilbur D. Mills
Chairman
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

This letter is in response to your oral request for an expression of Commission views on those provisions of H. R. 5710, a bill "To Amend the Social Security Act ...", that relate to transfer of Federal employment credits to the social security system.

So far as the civil service retirement system is concerned, these provisions, carried in section 116 of your bill, will--

- permit the basic pay of a Federal employee under the civil service retirement system to be considered remuneration for employment for OASDI purposes if neither the employee nor any of his survivors is entitled to a civil service annuity on the basis of such service. The provision would not apply to service before June 30, 1966, or to service that terminated before the second month following enactment.
- require the Chairman of the Civil Service Commission to furnish the Secretary of Health, Education, and Welfare, upon his request, a record of the service and pay of any such individual.
- direct the Secretary of the Treasury to transfer from the Civil Service Retirement and Disability Fund to three of the social security trust funds (The Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund), annually, an amount sufficient to cover that proportion of the cost of all benefits paid from the three social security trust funds during the year which is attributable to Federal employment under the retirement system, plus interest from the date of such payment.
- provide a formula for determining the proportion of the cost to be borne by the Civil Service Retirement and Disability Fund. For any one case, this proportion of the

CRC, 3/17/2003

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old-age, disability, survivor's, hospital insurance or other benefit is in the same ratio as the remuneration for Federal employment bears to the total remuneration for Federal plus other employment.

This legislation, if enacted, would assure Federal employees who leave the service without entitlement to retirement system annuity benefits, and those who lose such entitlement, that their service can be credited for social security and hospital insurance purposes and thereby give them continuity of basic protection comparable to that afforded those who work, and move from one job to another, in private industry. We support that objective and the proposed method of obtaining it. Companion legislation which would amend the civil service retirement law and which is needed to implement the objective has already been introduced in both houses and referred to the respective Committees on Post Office and Civil Service. I have already testified in support of the bill H. R. 6784, and will similarly support the bill S. 1383. The Commission now urges favorable action on those provisions of your bill which deal with the subject.

Only this part involves SS. directly

The transfer-of-credit proposal is one half of a two-pronged proposal--recommended to the President by his Cabinet Committee on Federal Staff Retirement Systems and endorsed by him in his last year's pay message, his January 23 message on Older Americans, and his budget message--designed to assure that employees subject to the civil service retirement system have a level of protection at least as high as that which the social security system affords the rest of the nation's workforce. The other half of the proposal is a guaranteed benefit applicable only to persons who are entitled to benefits under the civil service retirement system. Under that part of the proposal, retirement system benefits would be raised to the extent necessary to assure that such benefits, together with any OASDI benefits based on other work, will at least equal the amount that would be payable to retirement system beneficiaries if the Federal service had been covered by social security. The benefit levels which would be guaranteed are the ultimate levels proposed by H. R. 5710 for future beneficiaries of the social security system.

We understand that all transfers of credit from the civil service retirement system to the social security system would be made at the time the risk matures, e.g. at the time the employee dies, becomes disabled, or reaches social security retirement age without protection under the retirement system. Employees would thereby acquire social security protection, and would be treated as social security beneficiaries, exactly as if their Federal service had actually been under social security.

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The retirement system would refund retirement contributions to employees (or their survivors) only to the extent that such contributions exceed the OASDI and Hospital Insurance tax the employees would have paid after June 30, 1966, if their Federal service after that date had been covered by social security. This "tax equivalent" would be deducted from refunds irrespective of whether social security benefits are or will be payable and of whether OASDI and Hospital Insurance taxes are being paid on earnings from other employment. We estimate the level annual cost of this portion of the proposal at \$155 million, over and above the tax equivalents deducted from refunds. A part of this cost would be a proportionate reimbursement for benefits paid from the three social security trust funds in individual cases in which those benefits were not dependent on or increased by transferred wage credits.

Adoption of the recommended two-pronged approach would--without disturbing current benefit rights of present employees and without changing the retirement system's present independent status--meet to a large extent the needs for basic protection that are not now being met by the civil service retirement system. We urge that Congress act favorably on legislation to assure that those needs are met.

The Bureau of the 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,

S/John W. Macy, Jr.

Chairman

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<p>REMARKS:</p> <p><i>Don't know how much help there will be, but you can look them over. If you have questions, please write down some and send them, more if you have questions.</i></p>				
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JULY 1966