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REPORT
No. 1656

INCREASING ANNUITIES PAYABLE FROM THE FOREIGN
SERVICE RETIREMENT AND DISABILITY FUND

SEPTEMBER 26, 1966.—Ordered to be printed

Mr. FULBRIGHT, from the Committee on Foreign Relations, submitted
the following

REPORT

[To accompany S. 3247]

The Committee on Foreign Relations, to which was referred the bill (S. 3247) to provide certain increases in annuities payable from the Foreign Service retirement and disability fund, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

PURPOSE OF BILL

The main purpose of S. 3247 is to place annuitants of the Foreign Service retirement system on the same basis as civil service annuitants for purposes of computing future cost-of-living increases in annuities. It would also provide retired Foreign Service personnel with the same percentage increase in their annuities as was authorized for the civil service retirement system last year and make this increase available to those who retire during a period of 6 months following the date of enactment of the bill.

The bill also authorizes additional employee benefits, other than retirement, (1) for all U.S. Government personnel serving in hostile areas, such as Vietnam, and (2) for Foreign Service personnel and their dependents in certain emergency or extraordinary situations.

In addition the bill would authorize appointments without time limitation for Foreign Service Reserve officers of the U.S. Information Agency.

PROVISIONS OF THE BILL

The principal provisions of the bill are summarized as follows:

1. It authorizes an increase in annuities for retired Foreign Service annuitants to provide them with cost-of-living benefits equal to those granted to retired civil service employees last year. It also

provides that future cost-of-living increases will be determined under the same formula as that applicable to the civil service retirement system.

2. It requires the Secretary of State to make a study and submit the findings and his recommendations to the President and the Congress whenever there has been at least a 3-percent drop in the cost of living over a 3-month period.

3. It provides for the computation of annuities on the basis of not more than 40 years of service credit, but the annuities so computed could not exceed 80 percent of the average of the five highest consecutive salary years. It also provides for the recomputation of annuities of participants in the Foreign Service retirement and disability system who at the time of their retirement had in excess of 35 years of service credit.

4. It provides broadened authority for the Secretary of State to pay travel and related expenses for officers and employees of the Foreign Service, or their dependents, in hardship situations or under extraordinary conditions.

5. It authorizes medical benefits for an officer or employee beyond the date of his separation from the Foreign Service and for dependents beyond the death or separation of the officer or employee.

6. It provides that no leave shall be charged, for a period up to 1 year, when a Government employee's absence is due to injury or illness as a result of hostile action abroad or is clearly caused by the fact that he was located abroad.

7. It authorizes an increase from 25 to 50 percent in the maximum allowable salary differential for service in areas where there is unusual danger from hostile action.

8. It authorizes the appointment or assignment of Foreign Service Reserve officers for service with the U.S. Information Agency for an unlimited period.

COMMITTEE ACTION

S. 3247 was introduced by Senator Fulbright at the request of the executive branch on April 20, 1966. It was referred to the Committee on Foreign Relations and was considered by the committee in executive session on August 30, amended, and on September 22 it was amended further and ordered favorably reported to the Senate.

The amendments to the bill relating to nonretirement employee benefits are provisions taken from H.R. 6277, which was considered at great length by the committee. Public hearings were held on this bill on April 19, 21, and 28 by a special subcommittee. It was considered in executive session by this subcommittee on June 29, July 21, and on August 18 the subcommittee voted to recommend favorable action on only those four provisions of H.R. 6277 which have been added as amendments to S. 3247.

DISCUSSION OF THE PROVISIONS OF THE BILL

Public Law 89-308 enacted during the last session of Congress authorized cost-of-living increases for Foreign Service annuitants through a formula which requires an automatic increase when the price index goes up 3 percent or more during a calendar year. Under this formula Foreign Service annuitants who retired before January 2, 1965, received a 4.3-percent increase in their annuities effective April 1,

INCREASING FOREIGN SERVICE RETIREMENT ANNUITIES

1966. In the meantime the cost-of-living adjustment formula for the civil service was liberalized by Public Laws 89-205 and 89-314. This formula provided a 6.1-percent, cost-of-living annuity increase for civil service personnel who retired before December 31, 1965.

On April 5, 1966, the executive branch requested that Congress consider legislation to provide Foreign Service annuitants with cost-of-living increases which would put them on a par with civil service retirees and to make uniform for both systems the formula for computing future increases.

The provisions recommended for passage would provide a 6.1-percent increase in an annuity, retroactive to April 1, 1966, to retired Foreign Service personnel on the annuity roll at the date of enactment. Those who have received the 4.3-percent increase under Public Law 89-308 would receive an increase of only 1.8 percent which would bring their total increase to 6.1 percent. Foreign Service personnel eligible for retirement would be allowed up to 6 months from the date of enactment to retire and receive a 6.1-percent increase in the annuity to which they are entitled. Last year civil service employees were allowed 3 months within which they could retire and receive the benefit of the 6.1-percent increase. It is estimated that the cost-of-living increases to be authorized by this bill will cost \$290,000 annually in additional payments from the Foreign Service retirement fund.

The table below provides further details concerning the cost of implementing the provisions of the bill:

Annuity increase cost estimate (S. 3247) ¹

	Commencing date of annuity		Total
	Jan. 1, 1965, and prior	Jan. 2, 1965, to Mar. 1, 1967 ²	
Annuity increase percentage.....	1.8	6.1	
Number of annuitants:			
Sept. 30, 1966.....	1,238	314	1,552
Mar. 1, 1967.....	1,229	420	1,649
Retroactive payment for period Apr. 1 to Sept. 30, 1966.....	\$70,000	\$44,000	\$114,000
Payments during first year after enactment, Oct. 1, 1966, to Sept. 30, 1967.....	\$138,000	\$152,000	\$290,000

¹ This estimate assumes enactment Sept. 30, 1966, and assumes a 33-percent increase in the number of retirements in 1966 over 1965.

² Those who retire on or after Mar. 1, 1967, will not receive this increase.

The bill also changes the formula for computing future cost-of-living increases for Foreign Service annuitants to make it uniform with that applicable to the civil service retirement system. An increase in annuities will be provided automatically under this formula if this price index rises at least 3 percent in a 3-month period and does not drop below that level within the following 3 months.

The committee amended the executive branch proposal to provide for appropriate recommendations by the Secretary of State to the President and the Congress in the event the price index falls by at least 3 percent during a 3-month period. Under the amendment adopted by the committee, the Secretary of State will be required to make a study whenever the price index has fallen by 3 percent or more in a quarter to determine if annuities should be adjusted downward to reflect the decrease in the cost of living. The results of his

study, along with his recommendations, shall be submitted to the President and the Congress. It is appropriate that attention should be directed toward possible reduction of annuities, which have been increased by price index changes, whenever the justification for such increases no longer exists.

The committee believes that the proposed annuity increases are justified on the simple grounds of equity to retired Foreign Service personnel. The only reason Foreign Service annuitants were not treated the same as civil service annuitants in 1965, when Congress passed separate bills for cost-of-living adjustments in each system, was because the formula in Public Law 89-308 was drafted long before the bill which liberalized the civil service formula was introduced. Foreign Service annuitants were the innocent victims of the legislative logjam at the end of the session. This bill will correct that inequity.

It should be noted that the annuity formula changes of S. 3247 were recommended by the President's Cabinet Committee on Federal Staff Retirement Systems. The pertinent portion of the Committee's report (H. Doc. 402, 89th Cong., 2d sess.) is as follows:

C.4. FOREIGN SERVICE ANNUITY ADJUSTMENTS

Recommendation

The Foreign Service annuity adjustment formula based on changes in the Consumer Price Index should be made identical to the civil service formula. In addition, current cost-of-living increases should be approved for the Foreign Service comparable to those approved for the civil service under Public Law 89-205, formerly known as the Daniels bill.

Cost estimate

One hundred and thirty-six thousand dollars annually.

Discussion

The Foreign Service Annuity Adjustment Act of 1965, Public Law 89-308, made certain changes with respect to survivor annuities and, in addition, extended to the Foreign Service a cost-of-living annuity adjustment formula. The formula enacted was similar to the formula in the CSR act prior to its amendment by Public Law 89-205. The old formula was enacted because H.R. 4170, which became Public Law 89-308, was drafted long before the Daniels bill was introduced. Because of the legislative logjam that developed in the closing days of the 1st session of the 89th Congress, it would not have been possible to amend H.R. 4170 before adjournment. Rather than delay its passage until the second session, it was passed in its existing form.

This old formula, which delays increases until the cost of living over an entire year has increased by 3 percent over the base period, should be amended to conform to the recently enacted formula for the civil service which provides automatic annuity increases as soon as the cost of living in each of 3 consecutive months increases 3 percent or more over the base period.

Public Law 89-308, applicable to the Foreign Service, will result in an annuity increase effective April 1, 1966, of

approximately 4 percent (depending on the average cost-of-living change during 1965) in annuities which commenced prior to January 2, 1965. Public Law 89-205 (formerly known as the Daniels bill) as amended by Public Law 89-314, applicable to the civil service, resulted in a 4.6-percent annuity increase under the revised formula and also provided a supplemental 1.5-percent, cost-of-living increase in all annuities which commenced on or before the effective date of the increase. The latter varied from December 1, 1965, to January 1, 1966, depending on the commencing date of the annuity. Public Law 89-205 also authorized an additional 5-percent increase in annuities which commenced prior to October 2, 1956, so that the total increase in such annuities was 11.1 percent. This additional 5-percent increase was granted in recognition of the less favorable formula used to compute CSR annuities prior to October 2, 1956. Since there was no comparable change in the FSR annuity computation formula, this 5-percent increase should not be authorized for Foreign Service annuitants. However, legislation based on the other provisions of Public Law 89-205 should be sought for the Foreign Service in order to provide comparable treatment under CSR and FSR.

We believe that legislation to implement this recommendation should be enacted promptly and that it should not be made a part of an omnibus bill on retirement.

The following letter from Assistant Secretary of State Douglas MacArthur II contains further details in support of the bill:

DEPARTMENT OF STATE,
Washington, August 24, 1966.

HON. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate.

DEAR MR. CHAIRMAN: In his letter of August 19 the Secretary urged early favorable action by your committee on the legislative proposals contained in S. 3247, a bill that would grant the same cost-of-living increases to Foreign Service annuitants as were recently granted civil service annuitants.

I wish to offer for the record a detailed justification for and an explanation of S. 3247 in the hope that it will be helpful to the committee in its consideration of this very important legislation.

Prompt enactment of legislation of this kind was recommended by the Cabinet Committee on Federal Staff Retirement Systems and this recommendation was endorsed by the President.

The Department and the Congress had this same end in mind during consideration of H.R. 4170 which became the Foreign Service Annuity Adjustment Act of 1965. That law authorized an automatic cost-of-living adjustment provision for the Foreign Service which was identical to the annuity adjustment formula provided for the civil service in 1962 by Public Law 87-793. Under the operation of that cost-of-living adjustment provision, Foreign Service personnel who retired prior to January 2, 1965, received a 4.3-percent annuity increase effective April 1, 1966.

In the meantime, the cost-of-living adjustment formula was liberalized for the civil service pursuant to a bill introduced by

6 INCREASING FOREIGN SERVICE RETIREMENT ANNUITIES

Congressman Daniels which became Public Law 89-205. This law, as amended by Public Law 89-314, provided a cost-of-living annuity increase for civil service personnel who retired at any time prior to December 31, 1965, of 6.1-percent effective December 1, 1965, or on the commencing date of annuity if later.

In order to provide equivalent treatment for the Foreign Service, the proposed legislation would do two things: First, it would provide a 6.1-percent increase retroactive to April 1, 1966, for all those on the annuity roll on the date of enactment. (Those who have received the 4.3-percent increase under the Foreign Service Annuity Adjustment Act of 1965 would receive only the amount necessary to bring their total increase to 6.1 percent.) Second, it would amend the cost-of-living adjustment formula governing future increases for the Foreign Service to make it identical with the formula governing future increases for civil service annuitants.

Incidentally, this formula was made applicable for computing cost-of-living adjustments in military retired pay by the 1965 military pay bill, Public Law 89-132, effective September 1, 1965. Prior to that, a formula similar to the old civil service formula was applicable to the military. In other words, this legislation would make the same adjustment in the cost-of-living annuity adjustment formula for the Foreign Service that was enacted last year for both the civil service and the military services.

A principal difference between the two formulas—the one formerly applicable to the civil service and now applicable to the Foreign Service and the liberalized one now applicable to the civil service and military services and proposed to be applied to the Foreign Service—is the triggering mechanism for the increase. Under the present Foreign Service formula, an annuity increase is triggered only after the cost of living goes up over an entire calendar year for an average of 3 percent or more. Whereas, under the liberalized civil service formula, an annuity increase is triggered by an increase in the cost of living of 3 percent or more for a period of 3 consecutive months. A second difference is that under the Foreign Service formula the increase is extended only to those who have retired prior to January 2 of the year triggering the increase—15 months prior to the effective date of the increase. Whereas under the liberalized civil service formula, the increase is provided to all those whose annuities commence on or before the effective date of the increase.

Now with respect to the application of this legislation to current employees who are at retirement age—civil service employees were given 3 months, from October 28, 1965 (the date of enactment of Public Law 89-205), to December 30, 1965, to retire and receive the benefit of the 6.1-percent increase. It is proposed that Foreign Service personnel eligible for retirement be given the same opportunity to retire and receive the benefit of this cost-of-living increase. S. 3247 would give them this opportunity. Foreign Service personnel would have between 5 and 6 months after enactment of this legislation to plan and effect their retirement and be eligible for the 6.1-percent, cost-of-living increase in their annuities. The additional time for the Foreign Service is needed because of the location of Foreign Service officers and employees at posts throughout the world and the leadtime necessary to schedule transfers to accommodate those desiring to retire.

I believe that it is a matter of great urgency that this legislation be enacted this year in order to put Foreign Service annuitants on a par with civil service annuitants with respect to the current increase, and especially with respect to future increases. As soon as the price index reaches 113.6 another annuity increase will be triggered for the civil service. The index stood at 113.3 in July so that it is probable that it will reach 113.6 in August or September. This will make the next increase for the civil service effective in January or February 1967.

On the other hand, under the present Foreign Service formula, unless the price index increase for the period July through December 1966 exceeds the increase for the first 6 months of 1966, the next annuity increase for the Foreign Service will not become effective until April 1, 1968. This factor alone gives emphasis to the urgent need for this legislation.

I am sending a copy of this letter to Senator Gore since his subcommittee has already given some consideration to this legislation.

We stand ready to provide any additional material which the committee or the subcommittee may desire.

Sincerely yours,

DOUGLAS MACARTHUR II,
Assistant Secretary for Congressional Relations.

The committee has approved an amendment to the bill which incorporates four provisions of H.R. 6277. These provisions authorize additional benefits to civilian personnel serving abroad under hostile conditions, such as in Vietnam, and to Foreign Service personnel in certain hardship or emergency situations. The sections relating to payment of travel expenses and medical benefits apply only to Foreign Service personnel, but the sections pertaining to leave in case of injury or illness abroad, and salary differentials for service in hostile areas apply to all civilian personnel of the Government. Experience in Vietnam and other trouble spots such as the Congo has proven the need for these additional benefits. A detailed analysis of each of these provisions is contained in the section-by-section analysis.

The committee has also amended the bill to authorize appointments unlimited as to time for Foreign Service Reserve officers serving in the U.S. Information Agency. Section 522 of the Foreign Service Act of 1946 limits Reserve officer appointments to a total of 10 years and in view of this there is no statutory basis for a career service for the Reserve officers who form the professional corps of the USIA. The committee recognizes the problems this has created within the Agency and has recommended that these officers be made eligible for unlimited Reserve officer appointments as an interim step toward formulating a permanent career system. The committee expects the executive branch to give further consideration to personnel problems in the foreign affairs agencies, and submit appropriate legislative proposals for consideration by the next Congress.

The committee recommends that the bill, as amended, be passed.

SECTION-BY-SECTION ANALYSIS

Section 1. Cost-of-living adjustments in annuities

Section 1(a) redefines the Consumer Price Index to mean the monthly price average instead of the average over a full calendar year.

8 INCREASING FOREIGN SERVICE RETIREMENT ANNUITIES

It also defines a new term "base month" to mean the month referred to for determining an increase in annuities after the first increase granted by this act.

Section 1(b) provides that each annuity payable from the fund shall be increased by 6.1 percent. The increase will be retroactive to April 1, 1966, for those on the retired roll that date. The increase will be effective on the date of retirement for those who retired since then or who retire not later than the first day of the sixth month after enactment.

The 4.3-percent, cost-of-living increase effected under the provisions of the Foreign Service Annuity Adjustment Act of 1965, Public Law 89-308, will be deducted from the 6.1-percent increase for a net increase of 1.8 percent for those who received the benefits of that act.

This provision also changes the formula for computation of future cost-of-living increases to make it uniform with the formula applicable to the civil service retirement system. This formula guarantees a cost-of-living increase whenever the price index shall have equaled a rise of at least 3 percent for 3 consecutive months over the price index for the base month. The base month, as a takeoff point is established as July 1965, from which to determine the next increase after April 1, 1966, to coincide with the formula established by Public Law 89-205 for the cost-of-living increases now applicable to civil service annuities.

Under this subsection the Secretary of State is also required to initiate a study whenever the price index has dropped at least 3 percent in a 3 months' period to determine whether annuities should be adjusted to reflect the decrease. He shall report the findings of this study to the President and the Congress along with his recommendations for legislative action, if any.

Provision is made for the passing on to survivors of annuitants the total percent being received by the annuitant at death, or if the annuitant has died between April 1, 1966, and date of enactment, the survivor would receive 6.1 percent in lieu of 4.3 percent, and in the case of children the total percent increase allowed and in force under this section will be added to annuities which began after April 1, 1966, whether the child's annuity results from a death in service case, or the death of an annuitant.

This subsection also prohibits inclusion of annuity purchase by voluntary contributions from the annuity upon which the increases are calculated.

The adjusted monthly annuity rate would be fixed at the nearest dollar, but the monthly rate would be increased by at least one dollar. The last clause would apply in a case involving a number of children. One family of 10 children annuitants now receive \$180 annually for each child. If an increase is only 3 percent, this would be only 45 cents per month except for this proviso, which would make it \$1 per month.

Section 2. Computation of annuities

This section would amend section 821(a) of the Foreign Service Act of 1946, as amended, by striking out the word "thirty-five" and substituting the word "forty" and by adding at the end of subsection (a) the following sentence: "The annuity as so computed shall not exceed 80 per centum of the average salary used to compute the annuity."

Under existing law the annuities of participants in the Foreign Service retirement and disability system are computed on the basis of not more than 35 years' service credit regardless of the length of service of the participant. Under the terms of this bill, the annuity would be computed on the basis of not more than 40 years of service credit, but the annuity so computed could not exceed 80 percent of the "high five" average salary. This computation has the effect of equating the Foreign Service and civil service retirement systems and is in accord with the recommendation of the Cabinet Committee on Federal Staff Retirement Systems.

This section also amends section 855 of the Foreign Service Act of 1946 by providing for the recomputation of annuities of former participants who at the time of their retirement had in excess of 35 years of service credit. In the committee's view, it seems appropriate to extend the 40-year (80 percent) computation formula to those participants who have already retired.

Section 3. Travel expenses

This section amends section 911 of the Foreign Service Act of 1946, as amended, which relates to travel and related expenses, by broadening the authority of the Secretary of State to pay travel and related expenses of Foreign Service personnel and their dependents under "extraordinary conditions or circumstances involving personal hardship * * *". The separation of Foreign Service, USIA, and AID personnel in Vietnam from their families exemplifies the need for the additional authority provided in this section. Under existing law the Secretary has limited authority to pay for the travel of an officer or employee, stationed at a hardship post, to another location abroad for purposes of rest and recuperation. This authority is limited to one round trip in each 2-year tour and two round trips in a 3-year tour which is unbroken by home leave. This provision helps in the case of personnel in Vietnam whose families are living in other locations abroad, such as in Japan or Thailand, but the Secretary has no authority to pay travel expenses to enable an officer or employee to visit with his family if it has returned to the United States. Under this authority the Secretary will be able to pay for travel expenses to reunite families of employees of these agencies in hardship situations when such action would further the interests of the Service. The dangerous and difficult conditions in Vietnam under which these dedicated men serve justify this authority.

The wording of this section is sufficiently broad to authorize also the travel of Foreign Service personnel and their dependents in personnel emergencies which would include the serious illness or death of a parent, daughter, or son or other close relative of the employee or spouse. It is also anticipated that this authority will be used to a limited extent to pay travel expenses of an employee's spouse for language training or for orientation purposes.

The phrase "without regard to the provisions of this or any other law" has been included to eliminate certain confusion which has existed with respect to the Secretary's authority under this section to prescribe foreign service travel regulations as such authority relates to the Administrative Expenses Act of 1946 and to the Travel Expense Act of 1949. It is not included to permit the circumvention of pro-

10 INCREASING FOREIGN SERVICE RETIREMENT ANNUITIES

visions of law regarding the use of American-flag ships or of American-flag aircraft.

Section 4. Medical services

This section would add a new section 944 to the Foreign Service Act. It would authorize the Secretary to continue medical benefits under part E of title IX (medical services) for officers and employees beyond the date of separation and for dependents beyond the date of the death or separation of an officer or employee whenever it is considered in the public interest to do so. Under existing authority medical benefits for officers and employees cannot be continued beyond the date of separation from the Service and dependent benefits cease automatically at the time the employee dies or is separated from the Service. There have been a few instances in which a dependent who has been in a hospital at the time the sponsoring employee died or was separated has had to assume responsibility for all care rendered after the date of death or separation. Employees and dependents on the verge of receiving treatment have been denied it because of the mandatory separation or death of the employee. The law presently accords to eligible dependents the identical medical benefits granted to employees except for (1) the first \$35 of the cost of hospitalization or similar treatment, and (2) a 120-day limit on the period of treatment at U.S. Government expense for a single illness or injury. It is proposed to continue these limitations under the authority granted by the new section 944.

The committee intends that this authority shall in no way be used as a postretirement medical benefits program but that it is to be limited to taking care of acute hardship cases which arise coincident with the death or separation of employees.

Section 5. Absence resulting from hostile activity

Subsection (a) amends subchapter II of chapter 63 of title 5, United States Code, which relates to leave, by adding a new section. The new language provides that, for a period not to exceed 1 year, no charge against leave shall be made for any absence due to injury or illness sustained abroad by an officer or employee as a result of hostile activity or clearly caused by the fact that he was located abroad. The provision will permit an absence without charge to leave in those extraordinary situations in which officers and employees sustain serious illnesses or crippling injuries from physical violence and unavoidable involvement in wars, guerrilla and militant insurgent situations, or localized hostile mob actions. Similarly, it will protect the employee's earning power in those situations where prolonged disability results from illness which can be attributed solely to the fact that he was serving abroad and which would not have been incurred had he remained in the United States. Personnel serving abroad particularly in the Tropics are exposed to a wide range of disabling and disfiguring diseases. The authority granted by this section will make it possible to retain them in full-pay status while rendering them all necessary hospitalization and related care.

Subsection (b) makes this benefit retroactive to January 1, 1965, to cover a number of employees who have been seriously incapacitated due to hostilities against U.S. installations and employees in Vietnam since then, including the terrorist attack against our chancery

in Saigon. It is estimated that not more than 30 employees would be eligible to receive benefits under this retroactive provision.

Section 6. Overseas differentials

This provision amends section 5925 of title 5, United States Code, relating to overseas post differentials, to authorize the payment of up to 50 percent of basic compensation to civilian personnel of the Government serving in a foreign area where there is unusual danger from hostile activity. Under existing law the maximum differential is 25 percent. The situation in Vietnam exemplifies the need and justification for granting additional incentives to personnel serving under hazardous conditions. The committee has approved this provision with the understanding that this additional differential will apply, at the present time, only to personnel in Vietnam.

Section 7. Appointment of Foreign Service Reserve officers

This section amends the U.S. Information and Educational Exchange Act of 1948 by authorizing appointments or assignments of unlimited duration for Foreign Service Reserve officers serving with the U.S. Information Agency. Career USIA officers now receive unlimited appointments as Foreign Service Reserve officers, although there is no statutory basis for this practice since Reserve appointments cannot exceed a total of 10 years because of a limitation in section 522 of the Foreign Service Act. Their tenure beyond 10 years depends on a rider each year in the appropriation act for the Agency. About 50 USIA officers have already reached the 10-year limit.

Last year the President nominated 760 of the career officers of the Agency as Foreign Service officers, under the lateral entry provisions of the Foreign Service Act. Although the nominations were approved by this committee, they were not acted on by the Senate. A revised list of 697 nominations was submitted by the President this session but the committee has not approved the list.

The committee recognizes that its action in removing the time limitation on Reserve officer appointments in the USIA is only a stopgap measure. The committee expects the executive branch to give further study to the problem and that it will submit specific legislative proposals for consideration in the next Congress.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FOREIGN SERVICE ACT OF 1946, AS AMENDED

* * * * *

TITLE VIII—THE FOREIGN SERVICE RETIREMENT AND
DISABILITY SYSTEM

PART A—ESTABLISHMENT OF SYSTEM

* * * * *

ANNUITANTS

SEC. 804. (a) Annuitants shall be persons who are receiving annuities from the Fund and all persons, including surviving wives and husbands, widows, dependent widowers, children and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act, as amended, or in accordance with the provisions of section 5 of the Act of May 1, 1956 (70 Stat. 125).

(b) When used in this title the term—

(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support. In addition to the offspring of the participant and his or her spouse the term includes (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant.

(4) *The term "price index" shall mean the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics. The term "base month" shall mean the month for which the price index showed a per centum rise forming the basis for a cost-of-living increase.*

* * * * *

PART C—COMPUTATION OF ANNUITIES

SEC. 821. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive

years of service, for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding **thirty-five**, *forty* of service credit obtained in accordance with the provisions of sections 851, 852, and 853. However, the highest five years of service for which full contributions have been made to the Fund shall be used in computing the annuity of any participant who serves as chief of mission and whose continuity of service as such is interrupted prior to retirement by appointment or assignment to any other position determined by the Secretary to be of comparable importance. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted. *The annuity as so computed shall not exceed 80 per centum of the average salary used to compute the annuity.*

* * * * *

PART F—PERIOD FOR SERVICE FOR ANNUITIES

* * * * *

RECOMPUTATION OF ANNUITIES OF CERTAIN FORMER PARTICIPANTS

SEC. 855. (a) The annuity of each former participant under the System, who retired prior to July 28, 1956, and who at the time of his retirement had creditable service in excess of thirty years, shall be recomputed on the basis of actual years of creditable service not in excess of thirty-five years. Service which was not creditable under the System on the date a former participant retired, shall not be included as creditable service for the purpose of this recomputation. The annuities payable to such persons shall, when recomputed, be paid at the rates so determined, but no such recomputation or any other action taken pursuant to this section shall operate to reduce the rate of the annuity any such person is entitled to receive under the System.

(b) *The annuity of each former participant under the System, who retired prior to the effective date of this subsection, and who at the time of his retirement had creditable service in excess of thirty-five years, shall be recomputed on the basis of actual years of creditable service not in excess of forty years. Service which was not creditable under the System on the date a former participant retired, shall not be included as creditable service for the purpose of this recomputation. The annuities payable to such persons shall, when recomputed, be paid at the rates so determined, except that (1) no such annuity as recomputed shall exceed 80 per centum of the average salary used in computing the annuity, and (2) no such recomputation or any other action taken pursuant to this subsection shall operate to reduce the rate of the annuity any such person is entitled to receive under the System.*

* * * * *

PART J—COST-OF-LIVING ADJUSTMENTS OF ANNUITIES

SEC. 882. (a) On the basis of determination made by the Civil Service Commission pursuant to section 18 of the Civil Service Retirement Act, as amended, pertaining to per centum change in the price index, the following adjustments shall be made:

(1) Effective April 1, 1966, if the change in the price index from 1962 to 1965 shall have equaled a rise of at least 3 per centum, each

annuity payable from the fund which has a commencing date earlier than January 2, 1965, shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

[(2) Effective April 1 of any year other than 1966 after the price index change shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2 of the preceding year shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

[(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

[(1) Effective from the date of the first increase under this section, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 821(c)), which annuity commenced the day after the annuitant's death, shall be increased as provided in subsection (a)(1) or (a)(2) if the commencing date of annuity to the annuitant was earlier than January 2 of the year preceding the first increase.

[(2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 821(c)), which annuity commences the day after the annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

[(3) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 821(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 821(c) shall be increased by the total per centum increase allowed and in force under this section and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 821(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death. Effective from the date of the first increase under this section, the provisions of this paragraph shall apply as if such first increase were in effect with respect to computation of a child's annuity under section 821(c) which commenced between January 2 of the year preceding the first increase and the effective date of the first increase.

[(c) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

[(d) No increase in annuity provided by this section shall apply to amounts paid under authority of section 5 of Public Law 84-503, as amended, section 4 of the Foreign Service Annuity Adjustment Act of 1965, or any other law authorizing annuity grants to widows.

[(e) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar.]

Sec. 882. (a) Subject to the provisions of paragraph (b), each annuity payable from the Fund on April 1, 1966, shall be increased by 6.1 per centum. Each annuity payable from the Fund (other than the immediate annuity of an annuitant's survivor or of a child under section 821(c)) which has a commencing date after April 1, 1966, and not later than the first day of the sixth month which begins after the date of enactment of this amendment shall be increased by 6.1 per centum.

(b) Those annuities increased by the cost-of-living provisions of the Foreign Service Annuity Adjustment Act of 1965 shall be adjusted to reflect the percentage increase under paragraph (a) had it been applied to the annuity on April 1, 1966, or its subsequent commencing date.

(c)(1) Each month after April 1966 the Secretary shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the Fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum. The month of July 1965 shall be the base month for determining the per centum change in the price index until the next succeeding increase occurs.

(2) In the event the Secretary determines that the price index shall have equaled a decrease of at least 3 per centum for three consecutive months under the price index for the latest base month, he shall make a detailed study to determine whether or not the annuities payable from the Fund should be adjusted to reflect the percentage decrease in the price index. In making such study the Secretary shall consider the specific items for which prices decreased, the likelihood of any further consecutive decreases in the price index, the type or types of annuities which should be adjusted, if any, and the extent of any such adjustment, and all other factors with respect to whether or not any such annuities should be adjusted. Upon the completion of any such study, the Secretary shall transmit to the President and Congress and Congress a full report thereon, together with his determination as to whether or not any such annuities should be adjusted and his recommendations for any legislation which he deems to be necessary or appropriate.

(d) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the Fund as of the effective date of an increase, except as follows:

(1) Effective from its commencing date, an annuity payable from the Fund to an annuitant's survivor (other than a child under section 821(c)), which annuity commences after April 1, 1966, shall be increased by the total per centum increase the annuitant was receiving under this section at death; or if death occurred between April 1, 1966, and date of enactment, the per centum increase the annuitant would have received;

(2) For purposes of computing an annuity which commences after April 1, 1966, to a child under section 831(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 821(c) shall be increased by the total per centum increase allowed and in force under this section, and in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 821(c) (1) and (2) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death.

(e) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

(f) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar, except that such installment shall after adjustment reflect an increase of at least \$1.

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TITLE IX—ALLOWANCES AND BENEFITS

PART A—ALLOWANCE AND SPECIAL ALLOTMENTS

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PART B—TRAVEL AND RELATED EXPENSES

GENERAL PROVISIONS

SEC. 911. The Secretary may, under such regulations as he shall prescribe, pay—

(1) the travel expenses of officers and employees of the Service, including expenses incurred while traveling pursuant to orders issued by the Secretary in accordance with the provisions of section 933 with regard to the granting of home leave;

(2) the travel expenses of the members of the family of an officer or employee of the Service when proceeding to or returning from his post of duty; accompanying him on authorized home leave; accompanying him for representational purposes on authorized travel within the country of his assignment or, at the discretion of the Secretary, outside the country of his assignment, but in no case to exceed one member of his family; or otherwise traveling in accordance with authority granted pursuant to the terms of this or any other Act;

(3) the cost of transporting the furniture and household and personal effects of an officer or employee of the Service to his successive posts of duty and, on the termination of his services, to the place where he will reside;

(4) the cost of packing and unpacking, transporting to and from a place of storage, and storing the furniture and household and personal effects of an officer or employee of the Service, when he is absent from his post of assignment under orders, or when he is assigned to a post to which he cannot take or at which he is unable to use such furniture and household and personal effects, or when it is in the public interest or more economical to authorize storage; but in no instance shall the weight or volume of the effects stored together with the weight or volume of the effects transported exceed the maximum limitations fixed by regulations, when not otherwise fixed by law;

(5) the cost of packing and unpacking, transporting to and from a place of storage, and storing the furniture and household and personal effects of an officer or employee of the Service in connection with assignment or transfer to a new post, from the date of his departure from his last post or from the date of his departure from his place of residence in the case of a new officer or employee and for not to exceed three months after arrival at the new post, or until the establishment of residence quarters, whichever shall be shorter; and, in connection with separation of an officer or employee of the Service, the cost of packing and unpacking, transporting to and from a place of storage, and storing for a period not to exceed three months, his furniture and household and personal effects; but in no instance shall the weight or volume of the effects stored together with the weight or volume of the effects transported exceed the maximum limitations fixed by regulations, when not otherwise fixed by law;

(6) the travel expenses of the members of the family and the cost of transporting the personal effects and automobile of an officer or employee of the Service, whenever the travel of such officer or employee is occasioned by changes in the seat of the government whose capital is his post;

(7) the travel expenses and transportation costs incident to the removal of the members of the family of an officer or employee of the Service and his furniture and household and personal effects, including automobiles, from a post at which, because of the prevalence of disturbed conditions, there is imminent danger to life and property, and the return of such persons, furniture, and effects to such post upon the cessation of such conditions; or to such other post as may in the meantime have become the post to which such officer or employee has been assigned;

(8) the cost of preparing and transporting to their former homes in the continental United States or to a place not more distant, the remains of an officer or employee of the Service who is a citizen of the United States and of the members of his family who may die abroad or while in travel status;

(9) the travel expenses of officers and employees of the Service who are citizens of the United States, and members of their families, while serving at posts specifically designated by the Secretary for purposes of this paragraph, for rest and recuperation to other locations abroad having different environmental conditions than those at the post at which such officers and employees are serving, provided that such travel expenses shall be limited to the cost for each officer or employee and members of his family of one round trip during any continuous two-year tour unbroken by home leave and two round trips during any continuous three-year tour unbroken by home leave;

(10) the travel expenses of members of the family accompanying, preceding, or following an officer or employee if, while he is en route to his post of assignment, he is ordered temporarily for orientation and training or is given other temporary duty [I];

(11) *travel and related expenses, without regard to the provisions of this or any other law, whenever he determines that extraordinary conditions, or circumstances involving personal hardship, warrant the payment of such expenses incident to appointment, service, or separation of officers or employees of the Service, including any such expenses of the members of their families.*

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PHYSICAL EXAMINATIONS AND COSTS OF INOCULATIONS

SEC. 943. The Secretary shall, under such regulations as he may prescribe, provide for physical examinations for applicants for employment and for officers and employees of the Service who are citizens of the United States, and for their dependents, including examinations necessary to establish disability or incapacity in accordance with the provisions of section 831, and shall provide for administering inoculations or vaccinations to such officers and employees and their dependents.

Sec. 944. Under such regulations as he may prescribe, the Secretary is authorized to provide medical services under part E of this title beyond the date of death or separation of an officer or employee.

TITLE 5, UNITED STATES CODE

CHAPTER 59—ALLOWANCES

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SUBCHAPTER III—OVERSEAS DIFFERENTIALS AND ALLOWANCES

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§ 5925. Post differentials

A post differential may be granted on the basis of conditions of environment which differ substantially from conditions of environment in the continental United States and warrant additional pay as a recruitment and retention incentive. A post differential may be granted to an employee officially stationed in the United States who is on extended detail in a foreign area. A post differential may not exceed 25 percent of the rate of basic pay, *except that in a foreign area where there is unusual danger of injury due to hostile activity such additional compensation shall not exceed 50 per centum.*

CHAPTER 63—LEAVE

SUBCHAPTER II—OTHER PAID LEAVE

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§ 6324. Absence of certain police and firemen

(a) Sick leave may not be charged to the account of a member of the Metropolitan Police force or the Fire Department of the District of Columbia, the United States Park Police force, or the White House Police force for an absence due to injury or illness resulting from the performance of duty.

(b) The determination of whether an injury or illness resulted from the performance of duty shall be made under regulations prescribed by—

(1) the Commissioners of the District of Columbia for members of the Metropolitan Police force and the Fire Department of the District of Columbia;

(2) the Secretary of the Interior for the United States Park Police force; and

(3) the Secretary of the Treasury for the White House Police force.

§ 6325. Absence resulting from hostile activity

No leave shall be charged to the account of any officer or employee for absence, not to exceed one year, due to an injury or illness incurred while serving abroad and resulting from hostile activity or clearly caused by the fact that the officer or employee was located abroad.

UNITED STATES INFORMATION AND EDUCATIONAL
EXCHANGE ACT OF 1948, AS AMENDED

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TITLE X—MISCELLANEOUS

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APPOINTMENT OF FOREIGN SERVICE RESERVE OFFICERS

SEC. 1012. Notwithstanding the provisions of section 522 of the Foreign Service Act of 1946, as amended, appointments or assignments of Foreign Service Reserve Officers for service with the United States Information Agency may be of unlimited duration. The provisions of section 527 of such Act shall not be applicable with respect to any such appointment or assignment.

