

15 February 1967

JSW:

1. Attached deals with the cost-of-living adjustments of annuity proposal.

2. There are three separate papers. The first one analyses the increases granted under the so-called Daniels Bill and sets forth the specific increases which to date are granted to the various classes of retirees and survivors in which we are interested.

3. The second analysis deals with the specific increases which to date are granted to the various classes of retirees and survivors in which we are interested under both the so-called Daniels Bill and P.L. 87-793 which earlier provided a 2 percent and a 1 percent annuity increase for 1965 and 1966 retirees respectively.

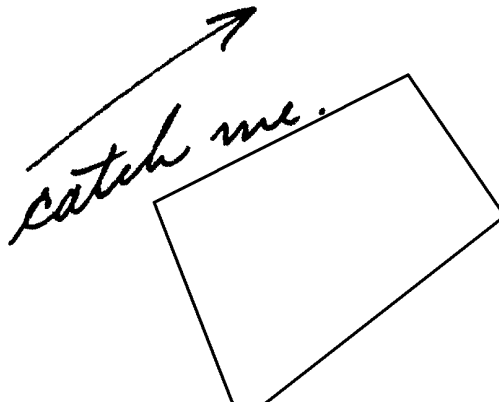
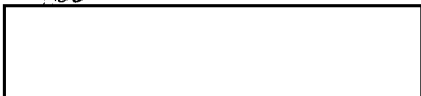
4. The third is the legislative proposal which would provide for CIA Retirement System retirees and survivors as of 1 January 1967 the full increases in force and in effect had retirement been effected under the Civil Service Act rather than the CIA Retirement Act. The proposal also puts the CIA Retirement System in full phase with the Civil Service Retirement System.

5. I would like to discuss this with you at your convenience.

LLM

20 Feb 67

also sent to



STAT

INSERT FOR PROPOSED COST-OF-LIVING ADJUSTMENT AMENDMENT

This insert is necessary to offset annuity increases payable 1 April 1967 under existing law which may become effective prior to enactment of the proposed cost-of-living adjustment amendment. The following subsection should be inserted as Subsection 291(a)(2) and the present 291(a)(2) will become 291(a)(3).

"SEC. 291. (a)...

(1) ...

(2) Those annuities increased by the cost-of-living provisions of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees prior to the enactment of this amendment shall be adjusted to reflect the percentage increase under subsection (1)."

CIVIL SERVICE RETIREMENT ACT

ANALYSIS OF INCREASES GRANTED UNDER P.L. 87-793 and P.L. 89-205
(Participants in the CIA retirement system were first designated in
April 1965. Thus this analysis deals with increases accruing to
contemporary retirees and survivors under CSRA.)

I. Existing and Survivor Annuities

Section 1101 of P.L. 87-793 provides as follows:

"...

"(b) The annuity of each person who receives or is entitled to receive an annuity from the civil service retirement and disability fund commencing during the period which begins on the day following the effective date of this section and ends five years after such date, shall be increased in accordance with the following table:

| "If the annuity commences between-- | | The annuity shall be increased by-- |
|--|----|-------------------------------------|
| ... | | ... |
| ... | | ... |
| January 1, 1965, and December 31, 1965 | -- | 2 per centum |
| January 1, 1966, and December 31, 1966 | -- | 1 per centum |

"(c) In lieu of any other increase provided by this section, the annuity of a survivor of a retired employee or Member of Congress who received an increase under this section shall be increased by a percentage equal to the percentage by which the annuity of such employee or Member was so increased."

II. Summary

- (a) Annuities Commencing on or between 1 January 1965 and 31 December 1965. Annuities commencing on or between 1 January 1965 and 31 December 1965 were increased by 2 percent under P.L. 87-793. However, such annuities have also been subjected to two further increases under P.L. 89-205 of 6.1 percent and 3.9 percent. Consequently, the effective increase in force for such annuities is 12.4 percent.
$$\frac{(2 \times 6.1) + (8.1 \times 3.9) + 2 + 6.1 + 3.9}{\times \quad \times \quad \times \quad \times \quad \times}$$
- (b) Annuities Commencing Between 1 January 1966 and 31 December 1966. Annuities commencing between 1 January 1966 and 31 December 1966 were increased by 1 percent under P.L. 87-793. However, such annuities have also been increased by 3.9 percent under P.L. 89-205. Consequently, the effective increase in force for such annuities is 4.9 percent.
$$\frac{(1 \times 3.9) + 1 + 3.9}{\times \quad \times \quad \times}$$
- (c) Under P.L. 87-793 and P.L. 89-205 survivors annuities are increased by the percentage increase afforded the retiree annuity from which it was derived.

CIVIL SERVICE RETIREMENT ACT

ANALYSIS OF INCREASES GRANTED UNDER P. L. 89-205 and P. L. 89-314
(Participants in the CIA retirement system were first designated in
April 1965. Thus this analysis deals with increases accruing to
contemporary retirees and survivors under CSRA.)

I. Initial Adjustment

All existing annuities with a commencing date on or before 31 December
1965 were increased by 6.1 percent.

II. Subsequent Adjustment

All existing annuities commencing on or before 1 January 1967 were
increased by 3.9 percent and this is the increase in force for annuities
commencing on or between 1 January 1966 and 1 January 1967. However,
the increase in force for existing annuities with a commencing date earlier
than 1 January 1966 is 10.2 percent, $\overline{[(6.1 \times 3.9) + 6.1 + 3.9]}$

III. Exception for Survivors

Generally the eligibility for cost of living increases is governed by the
commencing date of each annuity payable as of the effective date of
each increase. Exceptions for survivors do apply however.

a. A retiree survivor (other than a child) receives whatever percentage
increase the retiree had been allowed at time of death.

1. If the survivor annuity is derived from a retiree's annuity commencing on or before 31 December 1965, the increase in force would be 10.2 percent to date. If it is derived from an annuity commencing on or between 1 January 1966 and 1 January 1967, the increase in force would be 3.9 percent to date.

b. Child survivor. All cost of living increases are built into the annuity benefit formula. The fixed dollar factors in the formula are increased in all cases by the total percentage increase granted under the adjustment plan. The formula factor dealing with the percentage of five year average salary is increased in deceased retiree cases by the total percentage of increase the retiree was receiving at time of death.

1. For example, the total percentage increase in force under P. L. 89-205 is 10.2 percent so that the dollar fixed factors \$1,800, \$600, \$2,160, and \$720 are increased to \$1,983.60, \$661.20, \$2,380.32 and \$793.44.
2. However, the average salary factor is raised only by the percent of cost-of-living increase allowed the deceased retiree while he was receiving an annuity. (See I and II above for specific percentages.)

The difference in b. 1. and b. 2. above is that average salary reflects living cost pay increments to the point of retirement whereas the fixed dollar factor does not.

IV. Summary

| <u>For annuities commencing*</u> | <u>Increase in force</u> | <u>Effective date</u> |
|-------------------------------------|--------------------------|-----------------------------|
| 1. a. before 1 January 1966 | 6.1% | 1 Dec 1965 - 31 Dec 1965 |
| b. before 1 January 1966 | 10.2% | 1 Jan 1967 |
| 2. on or between 1 Jan 66- 1 Jan 67 | 3.9% | 1 Jan 1967 |

* including derivative survivor annuities