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1 March 1967

Mr. Andrew Ruddock, Director  
Bureau of Retirement and Insurance  
Civil Service Commission  
1900 E Street, N.W.  
Washington, D. C. 20415

Dear Mr. Ruddock:

On Monday I met with Mr. Edward T. Braswell of the Senate Armed Services Committee staff on a draft bill to bring the CIA Retirement Act of 1964 into phase with the annuity adjustment provisions of P. L. 87-793 and P. L. 89-205.

Mr. Braswell plans to be in contact with you to verify that the draft bill puts us in phase with the increases granted to civil service annuitants under P. L. 87-793 and P. L. 89-205.

Attached is a copy of the draft bill as well as a four page analysis used in discussion with Mr. Braswell. The analysis sets forth the cumulative increases granted under P. L. 87-793 and P. L. 89-205. Mr. DeSipio of your office was kind enough to give us help on this on an informal basis.

Sincerely,

SIGNED

[Redacted Signature]

Office of Legislative Counsel

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Enclosure

Distribution:

- Orig. and 1 - Addressee (w/encl.)
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CIVIL SERVICE RETIREMENT ACT

Annuity Increases by Commencing Dates

<u>For Annuities Commencing Between</u>	<u>Annuity Increase</u> (P. L. 87-793)(P. L. 89-205 & 314)	<u>Payable Between</u>
1.) Jan. 1, 1965 and Dec. 31, 1965 . . . . .	2 % . . . . .	Jan. 1, 1965 and Dec. 31, 1965
2.) Jan. 1, 1965 and Jan. 1, 1966 . . . . .	6.1 % . . . . .	Nov. 30, 1965 and Jan. 1, 1966
3.) Jan. 1, 1965 and Jan. 2, 1967 . . . . .	3.9 % . . . . .	Dec. 31, 1966 and Jan. 2, 1967
4.) Jan. 1, 1966 and Dec. 31, 1966 . . . . .	1 % . . . . .	Jan. 1, 1966 and Dec. 31, 1966

1965 Retirees eligible for (1), (2), (3) = 12% not compounded (12.4% compounded)  
 1966 Retirees eligible for (3), (4) = 4.9%

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CIA RETIREMENT ACT

Proposal by Commencing Dates

<u>For Annuities Commencing Between</u>	<u>Annuity Increase</u>	<u>Payable</u>
1 April 1965 and Jan. 2, 1966 . . . . .	12% . . . . .	Jan. 1, 1967
Jan. 1, 1966 and Jan. 2, 1967 . . . . .	4.9% . . . . .	Jan. 1, 1967

## 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 com-  
mencing 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.  $\sqrt{(2 \times 6.1) + (8.1 \times 3.9) + 2 + 6.1 + 3.9}$
- (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.  $\sqrt{(1 \times 3.9) + 1 + 3.9}$
- (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.

SEC. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the price index, the following adjustments shall be made:

(1) Each annuity payable from the fund on January 1, 1967, shall be increased on that date by (a) 12.4 per centum for annuities which commence on or before January 1, 1966, or (b) 4.9 per centum for annuities which commence on or between January 2, 1966, and January 1, 1967.

(2) Each month beginning with November 1966 the Director 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.

(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 its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221 (c)), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

(2) Effective from its commencing date, an annuity payable from the fund to a child under section 221 (c), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by (a) 2 per centum if the annuity from which it is derived commenced on or before January 1, 1966, or (b) 1 per centum if the annuity from which it is derived commenced on or between January 2, 1966 and January 1, 1967.

(3) For the purposes of computing an annuity which commences after January 1, 1967, to a child under section 221 (c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221 (c) shall be increased by 10.2 per centum plus the total per centum increase allowed and in force under section 291 (a) (2) for employee annuities, and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221 (c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death.

(c) 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 of October 1966 for the first increase under section 291 (a) (2) and thereafter the month for which the price index showed a per centum rise forming the basis for a cost-of-living annuity increase.

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

(e) 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 one dollar.



## 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,  $\underline{[(6.1 \times 3.9) + 6.1 + 3.9]}$

### 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

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).

Insert either:

"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)."

or:

"SEC. 291. (a) ...

(1) ...

(2) The annuities increased by subsection (1) shall be decreased by the amount of any increases granted pursuant to Sec. 291 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees prior to enactment of this amendment.