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Adm Budget file

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27 February 1985

MEMORANDUM FOR: See Distribution

VIA: Acting Chief, Liaison Division, OLL

FROM:

[Redacted]
Liaison Division, OLL

SUBJECT: House "Hearing" on Administration's Proposed
FY 86 Budget Cuts to Federal Employee
Benefits

1. On 26 February 1985, Congresswoman Mary Rose Oakar (D., OH), chaired a "hearing" on the Administration's proposed FY 1986 Budget cuts to Federal employee benefits. Oakar is Chairwoman of the Subcommittee on Compensation and Employee Benefits of the House Post Office and Civil Service Committee. The other Committee Members who attended are Mervyn M. Dymally (D., CA), John T. Myers (R., IN), Dan Young (R., AL), and William D. Ford (D., MI), Committee Chairman. (This "hearing" was referred to as a briefing for Members because the Committee has not yet met to ratify its rules and subcommittee assignments).

2. The purpose for this "hearing" was to collect information that will support the Committee's recommendations to the Budget Committee vis-a-vis the Administration's proposals. The Committee will most likely reject all of the proposals, much to the approval of the standing-room only crowd of Federal union groups.

3. Attached hereto is the list of witnesses and the formal comments of several who testified. Copies of the full proceedings will be distributed when available. There were no surprises during the hearing. The Administration's position, defended by Dr. Donald J. Devine, Director, Office of Personnel Management, remains firm on all cuts proposed and there are now no signs of compromise.

4. In her opening comments (attached hereto), Oakar cited drug enforcement agents, foreign service officers, letter carriers, meat & poultry inspectors, NIH employees,

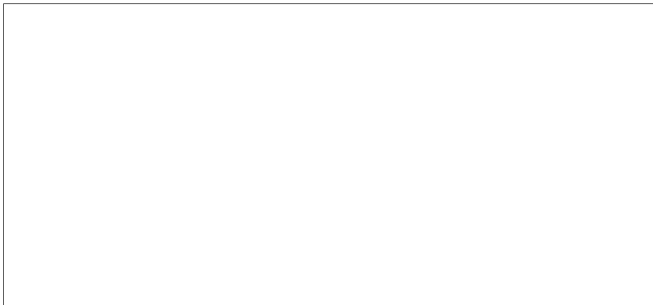
social security administrators, and Federal retirees as loyal and hard workers who were being abused by the Administration.

5. John Myers, speaking for the minority, stated that he shared the concern of the majority, was interested in cooperation, and cited "quick fixes" and the unweildy budget process as the causes behind the roller coaster treatment of Federal benefits. Traditionally, this Committee has maintained a bi-partisan pro-Federal employee orientation and this statement signals that this will continue during the 99th Congress. In fact, the majority staff expressed surprise that the Republicans on the Committee have been so vocal in their opposition to the Administration's proposals.

6. In response to questions about retirement, Dr. Devine alluded to a supplement plan that OPM is drafting. He did not give any details, but suggested that the plan would involve portable benefits, such as Social Security plus some form of employee savings; it would not include the employer-provided pension.

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Attachment:
as stated



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House of Representatives

Committee on Post Office and Civil Service

Washington, D.C. 20515

TELEPHONE (202) 225-4054

BRIEFING OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON THE FISCAL YEAR 1986 BUDGET PROPOSALS
TUESDAY, FEBRUARY 26, 1985

LIST OF WITNESSES

1. The Honorable Michael D. Barnes (D-MD)
Member of Congress
2. The Honorable Vic Fazio (D-CA)
Member of Congress
3. The Honorable Stan Parris (R-VA)
Member of Congress
4. Dr. Donald J. Devine, Director
Office of Personnel Management
5. Mr. Martin L. Duggan, Chair
Advisory Committee on Federal Pay

accompanied by

Ms. Lucretia Tanner, Executive Director
Advisory Committee on Federal Pay
5. Mr. George Stelluto, Associate Commissioner
Office of Wages & Industrial Relations
Bureau of Labor Statistics
Department of Labor

accompanied by

Mr. Charles O'Connor, Division Chief
Division of Occupational Pay and Employee Benefit
Levels
Bureau of Labor Statistics
Department of Labor

7. Mr. Kenneth Blaylock, President
American Federation of Government Employees, AFL-CIO

8. Mr. L.J. Andolsek, President
National Association of Retired Federal Employees

accompanied by

Ms. Judy Park, Legislative Director
National Association of Retired Federal Employees and

Mr. Tom Trabucco, Associate Legislative Director
National Association of Retired Federal Employees

9. Panel: Mr. Moe Biller, President
American Postal Workers Union, AFL-CIO

accompanied by

Mr. Patrick J. Nilan, Legislative Director
American Postal Workers Union, AFL-CIO and

Mr. Roy Braunstein, Legislative Aide
American Postal Workers Union, AFL-CIO

Mr. Vincent Sombrotto, President
National Association of Letter Carriers, AFL-CIO

accompanied by

Mr. George Gould, Legislative Director
National Association of Letter Carriers,
AFL-CIO

10. Panel: Mr. Thomas P. Costin, President
National Association of Postmasters
of the United States

Mr. R. Fain Hambright, President
National League of Postmasters

accompanied by

Mr. Ed Bowley, Legislative Consultant
National League of Postmasters

Mr. Reuben Handelman, Executive Vice
President
National Association of Postal Supervisors

accompanied by

Mr. Andrew Ruddick
(Retired) Consultant

Mr. Robert L. White, President
National Alliance of Postal and Federal
Employees

11. Panel: Mr. Bun B. Bray, Executive Director
Federal Managers Association

accompanied by

Mr. Red Evans, Assistant Executive Director
Federal Managers Association

Mr. David Gusky, Legislative Director
National Federation of Federal Employees

Mr. Ed Murphy, Legislative Counsel
National Association of Government Employees
AFL-CIO

Mr. Lary D. Silver, President
National Association of Agricultural Stabilization
and Conservation Service, United States
Department of Agriculture, County Office
Employees

12. Panel: The Honorable John N. Erlenborn (R-IL)
Former Member of Congress

Mr. Robert Mueller
National Taxpayers Union

Mr. G. Jerry Shaw, President
Senior Executives Association

Mr. Paul Newton, Legislative Director
National Treasury Employees Union

MERVYN M. DYMALLY
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COMMITTEE:
FOREIGN AFFAIRS
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DISTRICT OF COLUMBIA
CHAIRMAN, SUBCOMMITTEE
ON JUDICIARY AND EDUCATION

Congress of the United States
House of Representatives
Washington, D.C. 20515

HEARING ON THE ADMINISTRATION'S BUDGET PROPOSALS
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

FEBRUARY 26, 1985, 1:00 P.M.

STATEMENT OF THE HONORABLE MERVYN M. DYMALLY

Let me start, Chairwoman Oakar, by commending you for moving so quickly to hold hearings on these issues of vital concern to Postal and Federal employees. Your leadership in this area is much appreciated by your Committee colleagues and the people whose interests we represent.

As Chairman of the Subcommittee on Postal Personnel and Modernization, I am deeply concerned about the Administration's latest proposals for cutting Civil Service Retirement benefits. Once again, Postal and Federal employees are being threatened with losing the retirement benefits they have worked for and deserve, under the guise of reducing the Federal budget deficit. Federal employees also are being asked to accept a five percent

reduction in pay, when an independent study commissioned by this committee shows that Federal employee pay already lags behind the private sector by an average of ten percent. Health benefits are threatened, as well. While it is certainly necessary to reduce the huge deficit that has loomed up in the past four years under the current Administration, this task cannot be accomplished on the backs of the Federal workforce.

For too long, the Administration has projected an image of its own workforce which suggests to the American people that Postal and Federal employees receive too many benefits and are unproductive -- in effect, little more than a drain on the Federal budget. As you well know, Madam Chair, these workers perform many services vital to the well-being of large segments of our society. The Administration attempts to lay the blame for deficit problems on Federal and Postal employees because it is expedient to do so, conveniently ignoring the vast majority of productive, dedicated workers who have made a career of public service.

I join you and my other colleagues here today to emphasize my continuing support of Postal and Federal employees in their fight to retain hard-won and well-deserved benefits. I am also strongly behind their efforts to counter the false image created by their own employer, and to regain a sense of self esteem for their work in the Federal government. Public employees must no longer shoulder undue financial and psychological burdens to

compensate for the current Administration's deficit woes.

Once again, I commend you, Madam Chair, for taking the initiative on this issue, and for sending the Administration a clear signal of Congressional intent on this matter.

Statement by
George L. Stelluto, Associate Commissioner
Wages and Industrial Relations
Bureau of Labor Statistics
before the
Compensation and Employee Benefits Subcommittee
Post Office and Civil Service Committee
UNITED STATES HOUSE OF REPRESENTATIVES

February 26, 1985

Madam Chairperson and Members of the Subcommittee:

I welcome the opportunity to appear before this Subcommittee to explain the role of the Bureau of Labor Statistics (BLS) in the pay comparability process for Federal white-collar employees. I will focus first on the BLS role under existing legislation, then briefly describe the scope of the Bureau's 1985 national survey of Professional, Administrative, Technical, and Clerical Pay--the PATC survey. I will conclude with a few comments on possible future expansions to the PATC survey, as proposed by the President's Agent for pay comparability.

THE BLS ROLE

BLS has served as statistical agent in the Federal white-collar pay comparability process since its inception in 1962. This role, which requires the development each year of data on white-collar salaries in private industry for use by the Federal Government to set pay for its employees, was restated in the Federal Pay Comparability Act of 1970. The 1970 Act has been the legislative foundation for the Federal pay comparability process over the past 15 years.

While the 1970 Act calls for "appropriate annual surveys conducted by the Bureau of Labor Statistics," it places the responsibility for survey coverage with the President's Pay Agent (currently the Secretary of Labor, the Director of the Office of Personnel Management, and the Director of the Office of Management and Budget). The Agent sets up comparability procedures, specifies coverage of the PATC survey, and makes recommendations to the President on annual pay adjustments for Federal white-collar employees. In other words, it is the Agent--not BLS--that specifies which private industries, size of firms, and occupations the PATC survey will cover.

The BLS role in the pay comparability process is to conduct the survey and ensure that it is objective, reliable, and statistically sound and, at the same time, meets the Pay Agent's specifications. BLS is responsible for: (1) Developing lists of firms within the prescribed PATC survey coverage, (2) selecting a probability based sample of these firms, (3) collecting, primarily by personal visit, pay data for specific white-collar occupations in the sample firms, (4) reviewing and validating the survey results; and (5) delivering survey tabulations to the President's Agent. BLS also provides technical advice to the Agent on matters affecting the survey, such as on the manner in which the occupational work levels should be defined so they are readily understood in the private industry setting.

The relationship between BLS and the President's Pay Agent has existed for over two decades. Our respective roles are firmly established. The President's Pay Agent provides policy direction for the Federal pay comparability process; the BLS, on the other hand, is responsible for statistical matters related to the survey.

THE PATC SURVEY

Although new and revised occupational definitions have become regular occurrences in the PATC survey, the sizes and types of private industry firms have not changed since 1979. This same coverage defines the 1985 survey, which is now underway. A nationwide sample (excluding Alaska and Hawaii) of 3,500 establishments was drawn for the following industry and employment size groups for 1985:

<u>Industry</u>	<u>Establishment minimum employment sizes</u>
Mining -----	250 workers
Construction -----	250 workers
Manufacturing -----	100-250 workers
Transportation and public utilities -----	100-250 workers
Wholesale trade -----	100 workers
Retail trade -----	250 worker
Finance, insurance, and real estate -----	100 workers
Selected services -----	50-100 workers

The PATC survey produces estimates of average salaries for about 100 work levels within 25 white-collar occupations in private industry. Work levels are described in terms of pay-determining duties and responsibilities based on descriptions that the Pay

Agent can relate to Grades 1 through 15 in the Federal government's General Schedule. Overall the survey covers jobs ranging from routine file clerks and messengers to high level engineers, attorneys, and accountants.

BLS uses a uniform set of job descriptions, developed jointly with the Office of Personnel Management, to classify employees in sample establishments according to their actual duties and responsibilities. This job-matching process involves personal visits to sample establishments, dialogue with establishment officials, extensive use of company position descriptions, organizational charts, and personnel and payroll records. Salaries collected for the survey occupations are those paid to full-time employees for standard work schedules.

Results of the 1985 PATC survey will be delivered to the President's Pay Agent this coming July. BLS will also issue a news release on the survey in July and publish a comprehensive bulletin in October.

THE FUTURE

The Federal pay comparability process is large, complex, and has major impact on the Federal budget. Because of this, the process has been evaluated and reviewed by a number of groups including the General Accounting Office, the Rockefeller Panel, and the Grace Commission. These groups have consistently claimed two short-comings in the comparability process:

- The limited scope of the PATC survey because it excludes small establishments, major private industries (particularly such services as hospitals), and State and local governments.
- The inadequate representation of the occupations surveyed.

The latest proposals under consideration to change the PATC survey are described in the 1984 Pay Agent's Report. The proposals include expanding the PATC survey to smaller establishments, to additional private industries, and to State and local governments. (Including State and local governments in the comparability process would require, of course, a change in the 1970 Act.)

Finally, BLS has reduced its regular PATC job maintenance activities and is working with the Office of Personnel Management staff in: Analyzing occupations in current and expansion industries, developing and testing job descriptions for new industries to be surveyed; and exploring methods for selecting PATC occupations to address criticisms of the lack of representativeness in current PATC jobs.

I have described briefly the BLS role in the pay comparability process. BLS has a service oriented role limited to providing data required for decision making. Many factors must, of course, be considered by the President, his advisors, and the Congress in final decisions made. The Bureau of Labor Statistics stands ready to provide as much help as possible in developing data required to carry out Federal pay policy.

Madam Chairperson, that concludes my remarks. I would be pleased to answer any questions you or the members of the subcommittee may have.

TESTIMONY
of
REPRESENTATIVE STAN PARRIS
before the
POST OFFICE AND CIVIL SERVICE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

Hearing on
FISCAL YEAR 1986 BUDGET PROPOSALS
February 23, 1985

MADAME CHAIR, I APPRECIATE THIS OPPORTUNITY TO TESTIFY BEFORE THE HOUSE POST OFFICE CIVIL SERVICE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS REGARDING THE ADMINISTRATION'S PROPOSED FY 86 BUDGET CHANGES FOR FEDERAL WORKERS AND RETIREES. DURING THE PAST FEW YEARS, THE CIVIL SERVICE HAS BEEN FACED WITH A LARGE NUMBER OF NEW PROPOSALS. HOWEVER, THIS YEAR'S BUDGET RECOMMENDATIONS FOR THE FISCAL YEAR BEGINNING THIS OCTOBER ARE PARTICULARLY DRACONIAN.

I RECOGNIZE THE NEED FOR BUDGET RESTRAINT AND I STRONGLY SUPPORT DEFICIT-REDUCTION MEASURES, BUT AS I HAVE SAID ON A NUMBER OF OCCASIONS BEFORE THIS SUBCOMMITTEE, ACTIVE AND RETIRED GOVERNMENT WORKERS HAVE ALREADY MADE THEIR FAIR SHARE OF SACRIFICES. THIS YEAR'S PROPOSED BUDGET FURTHER PUNISHES AN ALREADY EMBATTLED FEDERAL WORKFORCE - NOT TO MENTION THAT MOST OF THE PROPOSALS WOULD HAVE LITTLE OR NO IMPACT ON REDUCING THE FISCAL 1986 BUDGET DEFICIT. IT WOULD TAKE A NUMBER OF YEARS BEFORE THE IMPACT OF SUCH CHANGES WOULD MAKE THEMSELVES FELT.

MORE IMPORTANTLY, THE CUMULATIVE EFFECT OF THESE PROPOSALS WOULD BE DEVASTATING TO AN EMPLOYEE, SAY IN MY DISTRICT, WHO HAS A FAMILY TO FEED AND CHILDREN TO SEND TO COLLEGE IN AN AREA WITH ONE OF THE HIGHEST STANDARDS OF LIVING IN THE COUNTRY. FOR SEVERAL YEARS NOW, GOVERNMENT WORKERS HAVE RECEIVED LIMITED AND DELAYED PAY INCREASES, HAVE HAD SUBSTANTIAL REDUCTIONS IN HEALTH BENEFITS WHILE THEIR PREMIUMS HAVE INCREASED, AND HAVE HAD TO PAY A MEDICARE TAX, JUST TO MENTION A FEW EXAMPLES. NOW THE ADMINISTRATION EXPECTS EMPLOYEES TO WORK AN EXTRA TEN YEARS,

ACCEPT A PENSION COMPUTATION CHANGE, THROW AWAY ACCUMULATED SICK LEAVE AT RETIREMENT, AND TAKE A FIVE PERCENT PAY CUT - A PROPOSAL LAST TRIED DURING THE 1930s IN THE MIDST OF THE GREAT DEPRESSION. MOREOVER, THE OFFICE OF MANAGEMENT AND BUDGET HAS PROPOSED THE ELIMINATION OF 25,000 JOBS IN FEDERAL REGIONAL AND FIELD OFFICES IN TEN DIFFERENT AGENCIES, THE BULK COMING FROM THE SOCIAL SECURITY ADMINISTRATION.

THIS IS A SIMPLE MATTER OF EQUITY. HOW MUCH LONGER CAN WE MAKE THESE DEMANDS ON FEDERAL WORKERS AND EXPECT THEM TO STAY IN THEIR JOBS OR PERFORM PRODUCTIVELY? SINCE I RETURNED TO THE CONGRESS FOUR YEARS AGO, I HAVE BEEN PREDICTING THAT THESE TYPES OF PROPOSALS WILL RESULT IN A FEDERAL GOVERNMENT COMPRISED OF PEOPLE WHO CAN'T GET JOBS IN THE PRIVATE SECTOR.

MADAME CHAIR, I REGRET THIS IS NO LONGER A MATTER OF PREDICTING THE FUTURE. CIVIL SERVANTS ARE LEAVING THE GOVERNMENT IN UNPRECEDENTED NUMBERS, TOP COLLEGE GRADUATES ARE BEING DISCOURAGED FROM MAKING CIVIL SERVICE A CAREER, AND LIFE-TIME FEDERAL EMPLOYEES ARE TAKING EARLY RETIREMENT. EFFORTS TO ATTRACT AND RETAIN SKILLED, CAPABLE PEOPLE IN FEDERAL SERVICE HAVE BEEN SEVERELY REDUCED. AS A RESULT, THE FEDERAL GOVERNMENT IS BECOMING LESS RESPONSIVE AND RESPONSIBLE TO THE NEEDS OF EVERYONE.

I COMMEND THE SUBCOMMITTEE FOR ITS EFFORTS AND URGE IMMEDIATE ACTION TO HAVE THESE PROPOSALS WITHDRAWN FROM FY 86 BUDGET CONSIDERATIONS.

House of Representatives

**Committee on Post Office
and Civil Service**

Washington, D.C. 20515

TELEPHONE (202) 225-4054

**OPENING STATEMENT OF CONGRESSWOMAN MARY ROSE OAKAR
CHAIR-DESIGNEE OF THE SUBCOMMITTEE ON COMPENSATION
AND EMPLOYEE BENEFITS OF THE HOUSE POST OFFICE
AND CIVIL SERVICE COMMITTEE
OVERSIGHT BRIEFING ON FY 1986 BUDGET PROPOSALS
TUESDAY, FEBRUARY 26, 1985
WASHINGTON, D.C.**

THE COMMITTEE WILL COME TO ORDER.

SINCE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE HAS NOT HELD ITS ORGANIZATIONAL MEETING AND HAS NOT ADOPTED ITS RULES FOR THE 99TH CONGRESS, THE PROCEEDINGS TODAY WILL BE CONDUCTED IN THE FORM OF A BRIEFING FOR ALL MEMBERS OF THE COMMITTEE, RATHER THAN AS A SUBCOMMITTEE HEARING. FOLLOWING TODAY'S BRIEFING, I WILL REQUEST THE FULL COMMITTEE TO AUTHORIZE PRINTING OF THESE PROCEEDINGS.

I HAVE SCHEDULED THIS BRIEFING TODAY IN ORDER FOR THE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS TO EXPEDITIOUSLY FULFILL ITS OBLIGATIONS UNDER THE BUDGET ACT CONCERNING THE PROPOSALS CONTAINED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1986 AFFECTING FEDERAL PAY, THE CIVIL SERVICE RETIREMENT SYSTEM, AND THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM.

TO BRIEFLY SUMMARIZE THE PRESIDENT'S BUDGET PROPOSALS, HE IS SEEKING TO:

- (1) CUT FEDERAL PAY BY FIVE PERCENT;
- (2) RAISE THE MINIMUM RETIREMENT AGE FOR FULL BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM FROM 55 TO 65;
- (3) DECREASE ANNUITIES FOR FEDERAL WORKERS UNDER 65 BY FIVE PERCENT A YEAR. UPON FULL IMPLEMENTATION, THIS WOULD CUT ANNUITIES IN HALF FOR THOSE WHO RETIRE AT AGE 55;
- (4) ELIMINATE THE 1986 COLA;
- (5) CALCULATE FUTURE COLAS BEGINNING IN 1987, BY LIMITING THEM TO THE LOWER OF THE INCREASE IN GENERAL SCHEDULE PAY OR THE

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- CONSUMER PRICE INDEX AND LIMIT COLAS TO 55 PERCENT FOR ANNUITIES THAT EXCEED \$10,000, ADJUSTED BY THE CPI;
- (6) CHANGE THE CIVIL SERVICE RETIREMENT FORMULA SO THAT ANNUITIES WOULD BE CALCULATED ON THE HIGHEST FIVE YEARS OF EARNINGS, RATHER THAN THE PRESENT THREE YEARS;
 - (7) PHASE-OUT ^{OVER 4 YEARS} RETIREMENT CREDIT FOR UNUSED SICK LEAVE;
 - (8) CONFORM CIVIL SERVICE SURVIVOR, ADULT STUDENT AND MINIMUM BENEFITS TO THOSE PROVIDED BY SOCIAL SECURITY;
 - (9) REQUIRE THE POSTAL SERVICE AND THE DISTRICT OF COLUMBIA TO PHASE-IN THE PAYMENT OF THE FULL COST OF PENSIONS, LESS THE EMPLOYEES' CONTRIBUTIONS;
 - (10) DISCONTINUE RETIREMENT LIFE AND HEALTH INSURANCE COVERAGE FOR EMPLOYEES FIRST HIRED BY THE DISTRICT OF COLUMBIA AFTER SEPTEMBER 30, 1985; AND
 - (11) IMPLEMENT A HEALTH BENEFITS VOUCHER PLAN.

I AM DEEPLY CONCERNED WITH THE IMPACT OF THESE PROPOSALS ON THE MORALE AND PRODUCTIVITY OF FEDERAL EMPLOYEES AND THE VITAL SERVICES THAT THEY PERFORM FOR THE CITIZENS OF OUR COUNTRY.

LET'S CONSIDER FOR A MOMENT THAT, WHEN WE SAY "FEDERAL EMPLOYEE," WE ARE TALKING ABOUT PEOPLE LIKE OUR ASTRONAUT, SALLY RIDE, AND DRUG ENFORCEMENT AGENTS WHO RISK THEIR LIVES TO STEM THE FLOW OF ILLEGAL SUBSTANCES THAT ARE FLOODING OUR NATION. WE ARE TALKING ABOUT OUR DEPENDABLE LETTER CARRIERS; THE PEOPLE WHO INSPECT MEAT AND POULTRY TO PROTECT OUR CITIZENS FROM DISEASE; THE MEN AND WOMEN AT THE NATIONAL INSTITUTE OF HEALTH WHO ARE PERFORMING INVALUABLE CANCER RESEARCH; AND THE DEDICATED

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EMPLOYEES WHO ARE RESPONSIBLE FOR ADMINISTERING PROGRAMS
ASSISTING THE FARMERS OF OUR GREAT NATION.

WHEN WE SAY, "FEDERAL EMPLOYEE," WE ARE NOT SIMPLY REFERRING
TO A FACELESS BUREAUCRACY. WE ARE DESCRIBING MANY OF OUR SONS
AND DAUGHTERS, OUR NEIGHBORS, AND OUR FRIENDS. WE ARE REFERRING
TO PEOPLE WHO MAKE CERTAIN THAT SOCIAL SECURITY CHECKS ARE
DELIVERED ON TIME TO OUR SENIOR CITIZENS AND TO THOSE WHO
ADMINISTER VITAL MEDICARE BENEFITS. WE ARE TALKING ABOUT THE
"RETIREEES" WHO, WHEN WORKING FOR THE FEDERAL GOVERNMENT, PLACED
AMERICAN ASTRONAUTS ON THE MOON, DEVELOPED PROGRAMS TO PROTECT
OUR CHILDREN FROM UNSAFE TOYS, AND PRESERVED OUR COUNTRY'S
HERITAGE THROUGH THE ESTABLISHMENT AND ADMINISTRATION OF SUCH
FINE INSTITUTIONS AND MUSEUMS AS THE SMITHSONIAN.

WE ARE DESCRIBING PEOPLE WHO ARE WORKING HARD, RAISING
FAMILIES, AND TRYING TO MAKE ENDS MEET. WE ARE REFERRING TO
GRANDPARENTS AND OTHER SENIORS WHO DEDICATED THEIR LIVES TO
PUBLIC SERVICE. THESE ARE THE MEN AND WOMEN WHO HAVE BEEN MUCH
MALIGNED AND ABUSED BY THIS ADMINISTRATION -- WHO ARE NOW FACING
EXTRAORDINARY REDUCTIONS IN THEIR PAY, RETIREMENT BENEFITS, AND
HEALTH INSURANCE. THESE ARE AMONG THE VICTIMS OF THE FISCAL YEAR
1986 BUDGET WHO ARE BEING SINGLED-OUT FOR EXTRAORDINARY
SACRIFICES. I CANNOT AGREE THAT THESE MEASURES ARE NECESSARY,
FAIR, OR EVEN IN THE PUBLIC INTEREST.

I AM PARTICULARLY DISTURBED BY THE PROPOSAL TO REDUCE
FEDERAL PAY FOR MANY REASONS. FIRST OF ALL, IT IS GROSSLY UNFAIR

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TO SINGLE OUT FEDERAL WORKERS FOR A SUBSTANTIAL PAY REDUCTION, WHILE MILITARY PERSONNEL WOULD RECEIVE A THREE PERCENT PAY RAISE IN JULY.

FURTHERMORE, IN REVIEWING THE HISTORY OF WAGE INCREASES IN THE FEDERAL GOVERNMENT FOR THE PAST 15 YEARS, I AM STRUCK BY THE FACT THAT WAGES FOR WHITE COLLAR WORKERS HAVE RISEN BY 221 PERCENT, WHILE MILITARY PAY HAS GROWN BY 306 PERCENT, AND WAGES IN THE PRIVATE SECTOR HAVE INCREASED BY 290 PERCENT. IN COMPARISON TO THE MILITARY AND THE PRIVATE SECTOR, FEDERAL WHITE COLLAR WAGES HAVE FALLEN SUBSTANTIALLY BEHIND, DESPITE THE CLEAR INTENTION OF THE FEDERAL WAGE COMPARABILITY ACT OF 1970 THAT GENERAL SCHEDULE PAY REMAIN COMPARABLE TO WAGES IN THE PRIVATE SECTOR.

IT IS ALSO IMPORTANT TO NOTE THAT, DURING THIS SAME PERIOD, THE CONSUMER PRICE INDEX HAS INCREASED BY 306 PERCENT. SINCE 1970, FEDERAL WHITE COLLAR WORKERS HAVE SEEN THEIR STANDARD OF LIVING STEADILY DECLINE, DESPITE THE REDUCTION IN THE RATE OF INFLATION FOR THE PAST FEW YEARS.

IN CONSIDERING THE PAY CUT PROPOSAL, WE MUST ALSO KEEP IN MIND THE RECENT REPORT OF HAY ASSOCIATES ON TOTAL COMPENSATION IN THE FEDERAL, STATE, AND PRIVATE SECTORS PREPARED FOR THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE. IN THIS REPORT, HAY ASSOCIATES CONCLUDED THAT FEDERAL PAY LAGS BEHIND THE PRIVATE SECTOR BY 10.3 PERCENT, INCREASING TO 58.4 PERCENT FOR SENIOR EXECUTIVE SALARIES. ON A TOTAL COMPENSATION BASIS, FEDERAL PAY AND FRINGE BENEFITS TRAIL THE PRIVATE SECTOR BY 7.2 PERCENT AND, WHEN COMBINED WITH STATE EMPLOYMENT DATA, 6.2 PERCENT. AND, THE

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MOST RECENT REPORT OF THE PAY AGENT FOUND THAT, UNDER CURRENT PROCEDURES, FEDERAL PAY IS 18.3 PERCENT BEHIND THE PRIVATE SECTOR.

GIVEN THIS DATA, I AM BAFFLED BY THE CONCLUSIONS REACHED BY THE OFFICE OF PERSONNEL MANAGEMENT IN ITS REPORT ENTITLED "REFORMING FEDERAL PAY: AN EXAMINATION OF MORE REALISTIC PAY ALTERNATIVES." THIS REPORT APPARENTLY IS THE ONLY DOCUMENT JUSTIFYING THE ADMINISTRATION'S PROPOSAL TO REDUCE FEDERAL PAY BY FIVE PERCENT. I AM LOOKING FORWARD TO QUESTIONING THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT CLOSELY ON THE QUALITY OF THE REPORT, THE RELIABILITY OF THE DATA, AND THE VALIDITY OF THE CONCLUSIONS. CERTAINLY, BASED ON MY UNDERSTANDING OF THE REPORT, IT APPEARS TO BE A HASTILY PREPARED DOCUMENT, SORELY LACKING BOTH IN CREDIBILITY AND ANALYSIS.

WITH REGARD TO THE REMAINDER OF THE ADMINISTRATION'S PROPOSALS, WE HAVE SEEN MOST OF THEM IN PRIOR BUDGET SUBMISSIONS OF THE PRESIDENT. CERTAINLY, THE PROPOSAL TO CREATE A VOUCHER PLAN AS A SUBSTITUTE FOR THE CURRENT FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM IS NOT NEW TO THIS COMMITTEE. I, FOR ONE, HAVE CONSISTENTLY OPPOSED A VOUCHER PLAN AS NO MORE THAN A MEANS OF DRASTICALLY REDUCING HEALTH INSURANCE COVERAGE FOR FEDERAL WORKERS AND RETIREES.

IF THERE WAS EVER ANY QUESTION ABOUT THE ADMINISTRATION'S INTENTION IN SEEKING A VOUCHER PLAN, WE NEED ONLY LOOK AT THE BUDGET DOCUMENTS THEMSELVES. THE ADMINISTRATION PROJECTS A REDUCTION IN BUDGET AUTHORITY FOR THE FEHBP FOR FISCAL YEAR 1987, WHEN THE VOUCHER PLAN WOULD FIRST BECOME EFFECTIVE, OF \$56

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MILLION AND, IN 1988, OF \$171 MILLION, COUPLED WITH A \$53 MILLION REDUCTION IN OUTLAYS. IN EFFECT, ONE YEAR AFTER ITS IMPLEMENTATION, THE VOUCHER PLAN WOULD SLASH \$53 MILLION IN HEALTH INSURANCE BENEFITS FOR FEDERAL WORKERS AND ANNUITANTS.

I AM EQUALLY DISTRESSED BY THE UNRELENTING ATTEMPT OF THE ADMINISTRATION TO REDUCE BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM. IT IS A TRAVESTY THAT THIS ADMINISTRATION CONTINUES TO TAKE AIM AT SENIOR CITIZENS, SOME OF THE POOREST PEOPLE IN THIS COUNTRY, WHILE THROWING AWAY MONEY ON OVER-PRICED AND USELESS EQUIPMENT AT THE DEPARTMENT OF DEFENSE. OVER THE PAST THREE YEARS, FROM FEBRUARY 1981 TO MAY 1984, A RETIREE WHOSE TOTAL ANNUITY FOR THIS PERIOD SHOULD HAVE BEEN \$63,506 HAS SEEN HER BENEFITS REDUCED TO \$57,581 -- A CUT OF MORE THAN TEN PERCENT -- BECAUSE OF REDUCTIONS IN THE RETIREMENT PROGRAM UNDER THE REAGAN ADMINISTRATION.

I, FOR ONE, AM DEEPLY OFFENDED BY THE MISINFORMATION AND MISREPRESENTATION OF THE CIVIL SERVICE RETIREMENT PROGRAM BY THE GRACE COMMISSION AND THE ADMINISTRATION. SIMPLY PUT, IN MY OPINION, THERE IS NO JUSTIFICATION FOR ANY FURTHER ATTEMPT TO REDUCE BENEFITS UNDER THE CIVIL SERVICE RETIREMENT PROGRAM.

I AM LOOKING FORWARD TO THE TESTIMONY OF THE WITNESSES AT THE BRIEFING TODAY. BECAUSE OF THE TIME CONSTRAINTS FOR THIS BRIEFING, I WOULD ASK THE WITNESSES TO SUMMARIZE THEIR TESTIMONY IN JUST A FEW MINUTES. I AM HOPEFUL THAT THIS BRIEFING WILL PROVIDE THE MEMBERS OF THIS COMMITTEE WITH THE INFORMATION THAT WE NEED TO ASSESS THE WISDOM AND IMPACT OF THE PRESIDENT'S BUDGET PROPOSALS.

NEWS

FROM
NARFE



NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

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(202) 234-0832

February 26, 1985
FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION
Judy Park--(202) 234-0832

**IF IT'S WRONG FOR A DIME
IT'S WRONG FOR A DOLLAR**

Washington, D. C. -- With these words, "Lud" Andolsek, President of the half-million member National Association of Retired Federal Employees, called on Congress to again reject the Reagan Administration's budget proposals on Civil Service retirement and health benefits. Most of the Administration's proposals have been considered and repudiated in the past by Congress. While recognizing that the stakes are higher this year because of irresponsible fiscal policies and their resultant deficits, Andolsek stood firm stating "If it's wrong for a dime, it's wrong for a dollar".

He likened the proposed structural changes to the retirement system to "pulling up stakes on the near end of a transitional bridge before the far side is secured," referring to Congress' yet to be finished work on fashioning a supplemental retirement program for employees hired after 1983. "Let's not break with the past until we have a foot firmly planted in the future."

Attacking the plan to freeze, then cut only Civil Service Retirement COLAS as "duplicitous", Andolsek noted that retiree's deserve inflation protection no matter for whom they worked. On the proposal to manipulate the size of future COLAS, he recalled his days as Commissioner of Civil Service when adjustments were viewed as "election protection for politicians rather than inflation protection for the elderly." He also observed that means-tests might be appropriate for welfare, but they have no place in a staff retirement program.

Concerning the proposed voucher system of health insurance, the Association . President stated, "Rebates may be appropriate gimmicks on the car lots of America, but they do not belong on the minds of American citizens making crucial health care decisions."

Expressing the retiree association's concern over the deficit problem, Andolsek expressed a willingness to discuss reasonable approaches to restricting the costs of COLAS. But the requirements for such approaches were made clear -- "They must be consistent across the board, and they must not run contrary to the goals of the retirement programs they affect."

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NATIONAL ASSOCIATION OF LETTER CARRIERS AFL-CIO

VINCENT R. SOMBROTTO
PRESIDENT

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TESTIMONY OF
NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO
BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U. S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.
FEBRUARY 26, 1985

CONGRESSIONAL TESTIMONY

Madam Chair, my name is George Gould, Legislative and Political Assistant to President Vincent Sombrotto of the National Association of Letter Carriers, a labor organization of over 261,000 members who are either presently employed as city delivery carriers by the U. S. Postal Service or who are retired from such employment. President Sombrotto could not appear today due to a long term commitment to attend the NALC Council of Presidents' annual meeting.

I do not need to detail to you today the fact that postal/federal employee and retiree benefits have been singled out consistently during periods of budget crisis and cutbacks in spending. Although we are not the cause of the budget deficit that exists today, letter carriers have helped to reduce that deficit, while those causing the deficit are unwilling to make a serious effort. The issue is fairness.

As you look at the laundry list of proposed cuts in benefits and programs affecting postal/federal employees, it's easy to recite the money savings to the budget each of these cuts represents.

But the real issue in the '86 budget proposal is people-- individual letter carriers and family members directly affected by each of these proposed cuts. The impact is most

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dramatic when one looks at the out-of-pocket dollar loss or lifetime annuity loss to a government employee. When you look at individuals, the rhetoric of the Grace Commission and those constantly attacking our benefits as "excessive and overgenerous" disappears.

Consider for example the cuts targeted at those already retired. A letter carrier with 30 years of service retiring in March, 1985, will receive an annual annuity of \$12,647. If the retiree provides a survivor annuity, the basic annuity is reduced by \$994.70; the retiree's share of the health benefit premium reduces that basic annuity by another \$863.88. This brings the retiree's annuity to \$899.04 per month or \$10,788.48 per year. As you are aware, a federal employee's annuity is subject to income taxes, thus reducing the amount further.

The current budget proposal would deny this retiree a cost-of-living adjustment in 1986; the retiree would lose approximately \$520 in inflation adjustment. Then in 1987, the loss would be further compounded by paying the COLA on the lower of CPI or federal wage increase--an additional loss of approximately \$165, and capping the COLA on annuities over \$10,000 at 55% of the revised COLA, thus causing an additional loss of \$200 in inflation adjustment.

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Without a change in the current law, by January, 1987, this retiree would receive \$ 1,084 in COLAs based on the Administration's inflation projections; if enacted into law this year these budget proposals would reduce that COLA amount by \$ 740. This retiree's modest annuity will be further eroded because full inflation protection has been eliminated.

If that isn't enough, the Administration's proposal to change the health benefit formula would further reduce the monthly annuity by increasing the retiree-paid portion of the health premium. Additionally, the Administration's voucher plan would force retirees as well as active employees to look for a low cost, low option health plan, bear the additional costs out of pocket, or worse yet forego necessary medical treatment. These proposals changing the federal employee health benefit plan system directly threaten the health of our 10 million federal workers and retirees and their family members covered by the plans.

While the previous proposals affect employees already retired, there are numerous recommendations that would directly impact those currently working. For the active letter carrier, the Administration (management) proposals to change the retirement plan under which this employee was hired should be illegal. In fact, in the private sector, this is a violation of the law. As President Reagan

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recently said, the government made a contract with the people who serve in our armed forces and the government cannot break that contract. Our people have that same contract. Increasing the retirement age to 65 means a letter carrier would have to work 10 years longer, perhaps as long as 46 years--the maximum retirement benefit of 80 percent is reached at 41 years and 11 months--and contribute well over \$15,000 more into the retirement fund while receiving reduced benefits.

Of course, a letter carrier could retire at age 55 with 30 years service, but the basic annuity would be reduced by 5% for each year of early retirement. Therefore, for the letter carrier retiring in March, 1985 that I cited earlier in the testimony, the basic annuity would be reduced from \$12,647 per year to \$6,323.50, less survivor annuity and health premium, bringing the annual annuity down to \$5,097.27 per year, with the poverty level for an elderly family of two being \$6,023. Further, remember this is a letter carrier's retirement income, not a supplement to other retirement incomes!

Other proposed changes would further reduce this basic annuity; for example, calculating the annuity on high-5 instead of high-3 and eliminating retirement credit for unused sick leave. On the latter, let me say this was a sound management decision to encourage employees to work and

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not feel they have to use their unused sick leave before retirement. The proposal is still sound.

The Administration's budget could also affect postal rates, by eliminating the revenue foregone appropriation for reduced mail rates for non-profit mailers such as churches, schools, charities and veterans' groups. If this appropriation is eliminated, the result would double non-profit mail rates, with devastating effects.

Madam Chair, one additional proposal contained in the President's FY'85 budget directly affects the Postal Service. That proposal would require the Postal Service to dramatically increase its contribution to the Civil Service Retirement fund. If enacted, the cost in 1986 alone would be between \$218 and \$300 million, increasing at a greater rate for the later years.

Currently, the USPS transmits to OPM the 14 percent employer/employee contribution as well as an annual unfunded liability payment. In 1984, these amounts were: \$1,825,284,000 for the 14% employer/employee contribution; and \$917,204,000 for the annual unfunded liability payment.

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No other federal agency makes a direct contribution to the unfunded liability!

Madam Chair, as I stated earlier, these budget proposals affect real people. It is a retired letter carrier with 34 years of service like Joe Eucciero of St. Petersburg, Florida, whose COLA would be cut. It is the future of active letter carrier Chris Slocum, a mother of three small children, of Yakima, Washington, that is endangered if the retirement contract is broken. And it is the health care benefits of active letter carrier and father of five, Dan Rupp of Cleveland, Ohio, whose benefits would be drastically reduced.

Madam Chair, the examples go on. But the point is the same. The budget cuts proposed in the FY'86 federal budget are cuts against real people who serve and have served as dedicated employees of their government.

I hope this Congress will not allow unconscionable proposals to be enacted this year or any year.

Madam Chair, I will be more than happy to answer any questions you or the other Members of the Subcommittee might wish to ask.