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MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence
Executive Director
Deputy Director for Administration
Director, Office of Legislative Liaison

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Retirement Testimony

1. The Agency has been invited to testify before the Ford Committee on 25 April on the retirement issue. It is my understanding from OLL that contrary to the invitation letter from Chairman Ford we need not circulate in advance copies of the testimony.

2. Attached is a suggested draft for the Agency's statement which I think includes no classified data. Also attached are a series of answers to questions we anticipate may be asked. Finally, Chairman Ford's invitation letter is also attached.

3. We will welcome any comments on the proposed testimony.

[Redacted Signature Box]

Robert W. Magee

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Attachments

Mr. Chairman:

Thank you for the opportunity to appear before this Committee to discuss the retirement system of the Central Intelligence Agency. It is an issue which is vital to the continued health of the Nation's professional intelligence service.

The United States is a world power. Developments anywhere in the world, and indeed now in outer space, can affect the national security of the United States. It is the mission of Central Intelligence to understand these developments and provide our Nation's leaders with the advance knowledge so critical to successful foreign policy. The intelligence responsibility is continually expanding. In its early days Central Intelligence dealt primarily with the threat to the United States from our major antagonists in the world. While this threat has remained our principal concern, new issues constantly arise which demand intelligence attention: technology transfer, economic and financial stability of foreign governments, world petroleum production, narcotics, terrorism, the explosion of developments in the scientific and technological fields are just some of the issues which now require daily intelligence vigilance. The United States is indeed a world power and its citizens expect this Nation to have a world class intelligence service. I am pleased to be able to say to you today, Mr. Chairman, that this Nation does have a world class intelligence service and that the leaders of this Nation are the best informed individuals in the world.

Recognizing that CIA's job is different from the rest of the Government, Congress historically has supported Agency efforts to recruit and retain

career-oriented employees dedicated to the mission of this Agency and responsive to the demands security must impose on their professional and personal lives. Such a career service now exists. Attrition rates among the lowest in the Government attest to a healthy career organization. The creation of this work force did not happen overnight or by accident. It exists because Congress and a series of Administrations were sensitive to the needs of people who spend their professional lives in the intelligence shadows.

In recognition of the unique mission of the Central Intelligence Agency, Congress has provided the Director of Central Intelligence with special authorities with respect to personnel. These authorities have no counterpart in the Federal Government. CIA is an excepted Government Agency. Consequently, CIA employees are statutorily excluded from tenure and from the protection and benefits derived by status under Civil Service laws, rules and regulations. This is as it must be since the Director must have full and final authority to say when and where an employee will serve, at what duties, and for how long.

To understand the role played by retirement in the CIA personnel system, it is first necessary to have an appreciation of the process which recruits and retains a CIA employee, a process which in some ways is similar to other organizations but which in the aggregate is unique. CIA has the most rigorous pre-employment screening process in the United States. Nowhere else is each applicant subject to such scrutiny.

A typical applicant first takes an eight-hour Agency-unique exam developed by the Office of Strategic Services in World War II and modified through the years by some of the best minds in the fields of education and

psychology. This test provides insights into an applicant's intellectual capability, temperament, work attitudes, vocational interest, writing ability and psychological profile. Those who do well on the test, who have demonstrated high achievement either in their academic or professional careers, and who have favorable personal interviews are placed into the medical/security clearance procedure.

Employment by the Central Intelligence Agency carries with it extraordinary health risks. These risks are inherent both in geographic and socio-political environments to which employees are liable for assignment. The stresses involved in highly classified work and overseas environments require us to have an extraordinarily detailed clinical and psychiatric screening for all applicants. We require not only that applicants themselves pass this medical exam, but for those in the overseas career track, dependents must be similarly cleared.

Our security/suitability screening is the most detailed in the United States Government. Every employee, from the highest to the lowest, is investigated by our own security officers in a process that covers the last 15 years of an applicant's life. Again, dependent factors can be disqualifying for the applicant. When all of the data are accumulated, we have a very thorough understanding of the applicant's entire life style. These data are validated during a polygraph interview given all applicants.

At the end of a three-year trial period, the medical/security process is repeated. It is gratifying to note that 99% of our employees successfully complete this trial period.

It is perhaps not surprising that we must consider large numbers of applicants to find the precious few who meet these demanding standards. Despite enormous difficulties, we have attracted analysts, attorneys,

doctors, case officers, engineers and scientists of the highest caliber. Meeting our recruitment requirements, however, remains one of our principal priorities. It is a never-ending struggle which can only get more difficult as we compete in the marketplace with major U.S. industries for the best and the brightest.

Entering on duty, the CIA employee becomes part of a world which is generally isolated, nomadic, idealistic, secretive and increasingly dangerous. In addition to those personal constraints common to the few in Government who hold clearances at the CIA level, our employees must endure even more severe conditions. Every five years, they are subject to a full security reinvestigation. They have no job tenure. They may not travel abroad, publish articles, marry a non-U.S. citizen, or attend international conferences without advance Agency approval. They can receive no public recognition for their professional achievements but, on the contrary, must suffer in silence innumerable calumnies.

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Most will agree that in these tense times our Nation's first line in defense is in intelligence. Recognizing this, in the past four years the government has improved immeasurably the intelligence capabilities of this Government. It would be extremely unwise to threaten this achievement by severely reducing our ability to recruit and retain the caliber of individuals we have historically attracted. The Director of Central Intelligence must have the authority to move the right people into the right places at the right time. This requires a core of personnel who are prepared to go anywhere in the world as the national interest requires. Ultimately, it also means that we must move people into retirement so that we can prepare the next generation of intelligence officials. The mandatory retirement provision in CIARDS is an important management tool which has worked well and which should be retained in any new legislation.

We find, for example, that after age 50 nearly 50 percent of our

employees are not eligible for full service medical clearances. Were we to include those who cannot travel due to family medical constraints, the figure would be even more stark. In addition to the purely clinical health hazards involved in worldwide service, Agency personnel are confronted with psychological stresses which over the long haul extract a health toll just as great. In addition to the subtle factors of cultural translocation and family disruption, there are not infrequently highly traumatic events. Scores of employees have been in foreign prisons, sometimes for years, or otherwise harassed when their Agency affiliation became known. Employees and their families confront the more diffuse crises associated with civil disorder, terrorism, and other local circumstances which are not even remotely comparable to life in the typical American suburban setting in which our employees otherwise would have remained.

One must also appreciate what the current world wide-epidemic of terrorism means in trying to manage an organization whose employees must daily confront this reality and who, because of their Agency affiliation, are particularly vulnerable. Since 1968, there have been over 8,500 terrorist incidents worldwide, over 3,500 of which were targetted against Americans. Regrettably, the end to this scourge is not yet in sight. Indeed, it is one of this Agency's most pressing responsibilities to help negate this menace. To do it we need a young and vigorous work force medically and psychologically able to handle the stress and sufficiently courageous to accept the obvious dangers involved.

Several security considerations unique to our profession buttress further our need for a flow-through personnel system allowing for early retirement. Prolonged service in operational environments increases the

risk of identification of our operatives to hostile intelligence, internal security, or terrorist organizations. Anonymity is a critical ingredient for a successful intelligence officer. Personal security inevitably erodes with time and new operatives must constantly be put into the system. To maintain balance in the personnel structure, older, more exposed individuals must be allowed to retire.

Ironically, some of the retirement proposals would cause our older employees who should leave, to stay, and our younger employees, who should stay, to leave. Our officer corps is recruited generally from the recent college graduate pool, roughly the 20 to 25 year-old age group. While it is to the Government's disadvantage to keep these people for 40 years for the reasons previously stated, it is equally disadvantageous from a security standpoint to permit them to leave our service in less than 20 to 30 years without an adequate retirement. Agency employees have access to highly classified information from the beginning of their employment. We have long recognized the inherent security risks to national security of a short-term, transient work force. Given the extraordinary sensitivity of our mission, we must have a career track which retains staff for a full career but promises them the early opportunity to retire with financial security. Therefore, continuation of eligibility for retirement with full benefits at age 50 for employees in CIARDS is essential.

Employment at CIA means work overseas, whether qualified for CIARDS or not.

-- Only of CIA employees currently serving overseas have qualified for CIARDS; the remaining are covered under the Civil Service Retirement System (CSRS). Unlike members of the Foreign Service, all of whom are eligible for early retirement benefits from the moment they begin their

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careers, CIA employees must earn their way into CIARDS by serving five years overseas. Given our policy of rotating people to and from the field, it takes time for employees to earn the five year credit.

Obviously some never do, which explains why, in this overseas oriented organization, only a small percentage of the staff is in CIARDS.

-- Nearly [] of the officers in our clandestine service presently have not qualified for CIARDS and are under CSRS.

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-- CIA has thousands of employees who have served abroad but have not yet qualified for CIARDS.

-- Nearly [] of Agency employees bear the lifelong burden of cover; yet, a majority of those under cover are not qualified for CIARDS.

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Overseas service is becoming more dangerous for all Americans, but especially for employees of CIA. The mortality figures for our people are grim.

-- Since the early 50s, of the nearly [] Agency employees who have died serving abroad, less than [] were CIARDS qualified.

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-- We have 50 gold stars in our entry foyer honoring our colleagues who died from hostile action or while participating in highly dangerous Agency activities. Only [] were CIARDS qualified.

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-- One of the two most senior CIA officers slain in hostile action overseas was the director of a headquarters analytical office.

CIA is a single and indivisible Agency with a single culture and ethic. At present there is an esprit de corps among all our employees, an Agency-wide team approach, a general state of mind that timeliness is critical, accuracy is imperative and absorption with the task at hand takes priority over personal distractions. Advancing years often bring about a

lessening of work vigor and enthusiasm. The larger the proportion of older employees, the greater the debilitating effect on the tenor of the Agency. A healthy career organization now exists. Fundamental to this health has been the successful policy which recognizes burnout as a reality and allows our employees to retire early and with dignity.

The special overseas mission of CIA justifies continuation of eligibility for retirement with full benefits at age 50 for employees in CIARDS. This is as it should be; however, the special requirements and mission of CIA involve all of our employees in a number of ways unique in the Government. This legislatively mandated special status for CIA impacts on all our people and is the basis for a personnel system different from any other agency--from recruitment to retirement. Any changes in the current retirement systems will have to be very carefully considered to ensure that potential repercussions are fully understood. We are confident that working in close consultation with our Oversight Committee, we can achieve our mutual goals.

POTENTIAL QUESTIONS FROM
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
AT 25 APRIL HEARING

Question:

How many civilian employees are in your organization, and how many are covered by Social Security?

Answer:

Although we are getting into some areas which are classified, I can say that something less than 10% of our population is now under Social Security.

Question:

What are you advising the new hires and has there been any impact on your recruitment effort?

Answer:

We are generally advising new hires that while their retirement system is as yet undefined, every effort is being made to provide them with a system which will provide an adequate retirement benefit. We don't have any hard data to say specifically that employees are turning us down because of this issue. However, we do get a lot of questions about what is happening on retirement with expression of concern. It is definitely an issue of high interest to prospective employees.

Question:

Has the retirement issue had any impact on morale within the Agency?

Answer:

Employees read in the newspaper about proposed retirement changes and are very much concerned about what will ultimately take place. Their anxiety level is very high and there have been many expressions that if changes are made they will leave. Most feel there is a social contract and obligation for the government to provide the benefits which influenced their decision to come to work for the government. They feel changes would be a breach of that contract. There is a feeling of general uncertainty that if changes are made now, will there be more the next year and the year after that and so on.

POTENTIAL QUESTIONS FROM
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
AT 25 APRIL HEARING

Question:

What has been your recent experience with Voluntary Retirements? If it has increased, is this because of fears of changes to the Retirement Systems?

Answer:

Voluntary Retirements have been higher. While not all retirements would be attributable to the current situation, the uncertainty over pending changes is causing decisions to retire which employees otherwise would not make. This is despite our efforts to explain grandfathering provisions.

SPECIAL EMPLOYMENT CATEGORIES

Question:

How should employees under special categories (law enforcement, fire fighters, air traffic controllers, and the foreign service) be treated under the new supplemental plan?

Response:

The special categories cited are provided with special retirement provisions and coverage based upon Congressional recognition of the special nature of the missions and functions of the organizations involved and circumstances of employee service in these types of special activities. Supplemental plans must provide the same special provisions for these categories as well as for the Agency.

The CIA's mission imposes unique demands and employment circumstances on all Agency employees, liable for service anywhere in the world as Agency requirements dictate. In recognition of these conditions and the work force management needs of the Agency, the CIA needs special provisions in future supplemental retirement system coverages specifically tailored to our future CIARDS employees and CSRS-type personnel.

POTENTIAL QUESTIONS FROM
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
AT 25 APRIL HEARING

Question:

Should current age and service requirements be continued for the Agency's special system?

Response:

Yes

Question:

If early retirement is continued should we somehow compensate early retirees for the fact that Social Security benefits will not begin until age 62?

Response:

Yes. Early retirement must be accompanied by an adequate annuity to sustain such retirements. If benefit levels are to be maintained, a supplement must be provided until Social Security benefits become available.

SOCIAL SECURITY "TILT"

Question:

How much, if any, of the Social Security tilt should be offset by the new supplemental plan?

Response:

There are certain social objectives associated with Social Security and we would defer to Congress' judgment on the merits of applying this to the government at large. From the Agency's standpoint, some offset may be required to achieve desired retirement benefit levels.

POTENTIAL QUESTIONS FROM
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
AT 25 APRIL HEARING

VESTING

Question:

What should be the vesting requirement under the new supplemental plan?

Response:

The current 5 year vesting has proven to be sufficient to influence employees to stay on-board with CIA for the desired full career needed.

The portability features of Social Security and defined contribution plans would encourage greater turnover. A high turnover rate creates security problems through greater exposure to classified information to a larger number of people and would put extreme pressure on our ability to recruit, train, and maintain needed expertise in the intelligence profession.

COST

Question:

What should be the normal cost for the supplemental system?

Response:

In order to recruit and maintain the type and quality of both the CIA overseas and domestic employee cadres required to effectively fulfill the Agency's unique intelligence mission, CIA's current retirement systems have and must continue to serve as critical management tools in maintaining the characteristics of the Agency's total work force.

The cost of the new coverage therefore should be based on the cost flowing from the provisions required to maintain the full effectiveness of the system in serving our organizational needs.

POTENTIAL QUESTIONS FROM
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE
AT 25 APRIL HEARING

EMPLOYEE CONTRIBUTIONS

Question:

Should employees under the new supplemental plan be required to pay contributions, and, if so, what level of contribution should be required?

Response:

We support a supplemental plan with an annuity base established on the defined benefit concept with essentially the same early retirement eligibility and benefit provisions now in the current systems. We believe its important and equitable that new employees contribute to the retirement plan. The aggregate contributions to Social Security and the retirement plan should equate to the amounts contributed by employees covered by the current systems.

FUNDING & FINANCING

Question:

If the supplemental system is fully funded, should the funding come from Agency appropriations or from the Treasury?

Response:

The present financing system which blends an organization's appropriations to cover specific costs and Treasury funds for others appears reasonable and we have no recommendations for changing that system.