

with wages taxable under old-age and survivors insurance is estimated at 43 million, or 15.3 percent higher than in the fourth quarter of 1950. Their average taxable wages were estimated at \$526—an increase of 11.7 percent.

In the entire calendar year 1951, according to preliminary estimates, 56 million persons received taxable wages amounting to \$110.9 billion—increases of 16.4 percent and 26.7 percent, respectively, from 1950. The average taxable wage of \$1,980 was 8.9 percent more than the average a year earlier. The increases in covered employment and average taxable wages resulted from the rise to \$3,600 in the maximum taxable wage and the extension of coverage, effective January 1, 1951; to some extent they also resulted from the growth in economic activity.

From the third to the fourth quarter of 1951, on the other hand, the number of workers with taxable wages and the average taxable wage declined 6.5 percent and 12.0 percent, respectively. These declines followed the seasonal pattern observed in past years and resulted from the operation of the limitation on taxable wages.

The extension of coverage, the increase in the maximum taxable wage, and the continuing expansion of economic activity are also evident in the increases shown in the number of employees and amount of wages paid in covered employment in the fourth quarter of 1951. The number of workers in covered employment, not including the self-employed, is estimated at 47.5 million, an increase of 0.4 percent from the third quarter of 1951 and of 14.2 percent from the fourth quarter of 1950. Total payrolls in covered employment amounted to an estimated \$36 billion, an increase of 5.9 percent from the total for the preceding quarter and 15.7 percent from the corresponding quarter of 1950. Earnings of the average worker in covered employment, estimated at \$758, were 5.4 percent greater than the average for the third quarter of 1951 and 1.3 percent greater than that for the fourth quarter of 1950.

It is estimated that 3.6 million employers paid taxable wages in October–December 1951 and 4.2 mil-

lion in the calendar year 1951, increases of 31 percent and 26 percent from the number in the fourth quarter of 1950 and the calendar year 1950.

Amendments to the Civil Service Retirement Act

Only one major law dealing with the civil-service retirement system was enacted by the Eighty-second Congress in its second session (Public Law 555, signed by President Truman on July 15, 1952). A minor amendment (Public Law 548) was also adopted; it permits continued coverage of congressional employees in certain instances of death or resignation of the Member of Congress for whom they worked. No significant legislation dealing with the program was enacted during the first session of this Congress.

The primary purpose of Public Law 555 was to provide a cost-of-living increase in the annuities of persons already on the rolls. Effective September 1952, increases are made for most annuitants—not only retired employees but also survivor annuitants—whose annuities commenced on or before April 1, 1952. The amounts of the increase depend upon the beginning date of the annuity and are shown in the following table; these amounts are subject to certain maximum provisions.

<i>Commencing date of annuity</i>	<i>Monthly increases</i>
Oct. 2, 1951–Apr. 1, 1952.....	\$3
Apr. 2, 1951–Oct. 1, 1951.....	6
Oct. 2, 1950–Apr. 1, 1951.....	9
Apr. 2, 1950–Oct. 1, 1950.....	12
Oct. 2, 1949–Apr. 1, 1950.....	15
Apr. 2, 1949–Oct. 1, 1949.....	18
Oct. 2, 1948–Apr. 1, 1949.....	21
Apr. 2, 1948–Oct. 1, 1948.....	24
On or before Apr. 1, 1948.....	27

In no case is the increase to exceed 25 percent of the previous annuity, nor can the increase bring the total annuity to more than \$180 a month.

As an illustration of how the maximum provisions operate, consider the case of an individual whose annuity commenced in January 1950. If his annuity before the amendments had

been less than \$60 a month, he would receive a 25-percent increase. If he had been receiving \$60–165, the increase would be a flat \$15. His annuity would be raised by an amount sufficient to bring the total up to \$180 if he had been receiving more than \$165 but less than \$180, and he would receive no increase if the previous annuity had been \$180 or more.

The justice of the method as it relates to retired employees may readily be seen. In general, because of the rising trend in wages in the past decade, the employee who retired some years ago had, for the same job classification, a lower average salary to be used for computation of his annuity than did the employee who retired more recently.

The method of increase as it relates to survivors is less logical, since the amount given is not necessarily, as would seem to be proper, dependent on the date the employee died or retired, but rather on the date the survivor annuity began. As an example of the anomalies resulting, the situations of two employees who retired in July 1948 with identical work histories, and thus identical annuities, may be compared. Assume that one died shortly after retirement and the other died in May 1952—both leaving widows eligible for immediate annuities of, say \$100 a month. The two widows receive identical annuities up through August 1952, but thereafter one widow will receive \$24 more than the other.

The increase is payable to each survivor annuitant in the family or, in other words, not only to the widow but also to all child survivors. For survivor children where the mother is present, the provision that the increase shall not exceed 25 percent will apply in many instances, since under the basic law there is a maximum of \$30 a month for a child's annuity. If there are three or more children in the family, the maximum is even lower—\$25 a child for a 3-child family, \$19 for a 4-child family, and so on.

Still another matter of interest is the way that the benefit increases apply to individuals who have made deposits under the supplementary, voluntary annuity system set up in conjunction with the civil-service re-

tirement program and to individuals who have made optional purchases of service credit. In both instances the \$180 maximum applies, with the result that some individuals may be unfairly penalized by their previous thrift.

An employee, for example, who retired in January 1949 with a basic annuity of \$159 per month and who had made voluntary deposits sufficient to purchase an additional \$21 (or more) per month does not receive any increase under the provisions of the new legislation. If he had not made this deposit (and perhaps had saved the money through other means—buying life insurance or an annuity, for example, or Government bonds), he would have received an increase to the same \$180. A similar situation prevails in the case of an individual who made an optional deposit to purchase service credit for which he had not contributed currently; under certain circumstances his annuity would be the same as if he had not made the deposit.

These increases are not a permanent part of the system. They will cease to be effective if the consumers' price index of the Bureau of Labor Statistics is less than 169.9 (the level for April 1948) for three consecutive months. It seems rather unlikely that the increase will be terminated for this reason in the near future, since in July 1952 the index was 190.8. In any event, the increase will not extend beyond June

1955, and it will be in effect until then only if a congressional appropriation is made for the additional cost of the increases for the fiscal years 1953-54 and 1954-55. If such appropriation is not made, the increases will be effective only through June 1954.

The cost of the annuity increases is to be borne by the civil-service retirement and disability fund for at least the period September 1952-June 1953. The provision would seem to mean that eventually congressional appropriations will have to be made that will meet the increased cost. If Congress does not make an appropriation for the increased cost for the fiscal years 1954 and 1955, then the fund will have to bear the additional cost for July 1953 to June 1954. In that event, increased cost to the Government will also be involved. The preceding discussion assumes that the increases will not be withdrawn because of the provision relating to a substantial fall in the price level.

The legislation also permits an annuitant to waive his rights to any portion of his annuity—either the basic annuity or the increase granted by the new law—for any length of time he wishes. The provision prevents some inequitable situations in connection with certain types of pensions from the Veterans Administration, which are subject to a means test on an "all or none" basis. The civil-service annuity or the increase

might push a veteran's income over the maximum and result in complete forfeiture of his pension. For example, veterans are denied non-service-connected pensions if their income exceeds \$1,400 a year for single men and \$2,700 for married men. A single veteran who receives a civil-service annuity of \$1,300 a year could receive his full veteran's pension, but he would forfeit the entire amount if his annuity were increased by \$9 a month. This provision was introduced so that he could waive enough of his civil-service annuity to permit receipt of the full pension from the Veterans Administration.

The new legislation further provides for the creation of a Committee on Retirement Policy for Federal Personnel, consisting of a chairman appointed by the President, and the Secretary of the Treasury, the Secretary of Defense, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission. This committee is to study all retirement systems for Federal personnel and make its report by the end of 1953. In particular, the study is to be focused on the current financial status of the several systems and the most desirable methods of financing them. Moreover, the relationship of these systems to one another and to the old-age and survivors insurance program are to be investigated.