

Notes and Brief Reports

Federal Employees Group Life Insurance Act Amendments*

On August 11, 1955, the President signed Public Law No. 356, affecting the life insurance then in force for members of an association of Federal employees and extending the provisions for group life insurance after retirement to some persons not formerly eligible.

The original act¹ made provision for the assumption by the Civil Service Commission of life insurance on association members previously retired, or otherwise separated from Federal service, but not for members in active service. This provision was contingent upon termination by the association of all life insurance agreements within 1 year—by August 17, 1955. There was further provision that, in allocating the Federal employees' group life insurance among qualified insuring and reinsuring companies, the amount to be reinsured by a company with whom the association insurance had originally been placed would be such that the group life insurance plus the association insurance would not be less than the association insurance carried by the company at the end of 1953. The new law provides that, upon election by the association, the Federal employees' life insurance fund will assume all life insurance agreements of the association with all benefits guaranteed. The membership contribution rates would remain unchanged, with premiums paid to the fund under conditions prescribed by the Commission.

Any association electing to transfer the insurance to the fund is required to transfer the lesser of (1) the actuarial value of the insurance liability involved, and (2) its total assets. The original act contained a similar provision, but the liability related only to the insurance on retired or terminated employees, while

it now relates to the insurance on all members. Since under the amendment the insurance liability involved will be greater, actuarial deficiencies are more probable. (These deficiencies will, of course, have to be borne by the fund.)

The arrangements for the transfer are to be made within 6 months after August 11, 1955. In "extenuating circumstances" the Civil Service Commission may agree upon a later date, but it cannot be later than August 17, 1957. Only life insurance in effect on August 11, 1955, may be so transferred. Thus the association member may continue the full amount of his association insurance in addition to the group life insurance provided under the 1954 act, and the United States Government guarantees the benefits.

The association insurance assumed by the fund is to be insured by one or more of the companies insuring or reinsuring the Federal employees' group life insurance. All insurance may, however, be placed with the company carrying the association insurance. The 1955 amendments guarantee that, in allocating the insurance, the amount of group life insurance on Federal employees, together with the amount of association insurance so placed with the insurance company, will not fall below that in effect in that company at the end of 1953.

Another amendment affects the continuation of group life insurance upon retirement. Previously, unless the retirement was for disability, civilian service of 15 years was required for such continuation. Under the law as amended, military service may be included toward the 15-year requirement. As an example, an employee retiring with 13 years of civilian service and 3 years of military service will now be eligible for continuation of group life insurance, with the cost borne by the fund. Since he lacked 15 years of civilian service, his insurance would have been terminated under the original act (subject to the privilege of converting to individual insurance at attained age). This change brings

the eligibility basis for continuation of group life insurance into conformity with the "normal retirement" provisions under the civil-service retirement system. Under that system, 15 years of total service—including 5 years of civilian service—are required in order to retire at age 62 with full survivor benefit protection.

A minor amendment authorizes the Secretary of the Treasury to invest the money held by the fund in interest-bearing obligations of the United States. No mention of investment was made in the 1954 act.

State-Chartered Credit Unions, 1954*

The credit union movement in the United States acquired legal status as far back as 1909, when the Massachusetts Legislature passed a law to provide for the chartering and organization of credit unions. Today there are local credit union laws on the books of 44 States,¹ the District of Columbia, and Puerto Rico.

On December 31, 1954, there were 7,840 active State-chartered credit unions in the United States.² All but 101 submitted reports on their operations in 1954 to the State official—usually the superintendent of banks—charged with the supervision of credit unions. This official then forwarded to the Bureau of Federal Credit Unions a composite report on activities of credit unions in his State during 1954. Data for the District of Columbia, Puerto Rico, and all but four of the States are on a calendar-year basis; data for Indiana, Kentucky, and New Hampshire are for the fiscal year ended June 30, 1954, and data for Missouri are for the fiscal year ended September 30.

Though the increase in the number and membership of State-chartered credit unions was interrupted

* Prepared by Ronald Gardner, Division of Programs and Reports, Bureau of Federal Credit Unions.

¹ Delaware, Nevada, South Dakota, and Wyoming have no credit union laws.

² See the *Bulletin*, November 1954 and November 1953, for operations in 1953 and 1952; for a summary report of earlier years, see the *Monthly Labor Review*, February 1953.

* Prepared by Weltha Van Eenam, Division of the Actuary.

¹ See the *Bulletin*, October 1954, pages 11-14.