

Benefits and Beneficiaries Under the Civil Service Retirement Act

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The Civil Service Retirement Act of 1920 established the first Federal contributory retirement system for civilian employees. In its twenty years of operation, the civil-service retirement program has reached a maturity which the retirement systems established by the Railroad Retirement Act and the Social Security Act will not attain for years to come. Because all programs offering protection to aged or disabled workers are of significance to students of social insurance, the Bulletin presents this summary of the historical development of the Civil Service Retirement Act and the present status of benefits and beneficiaries under that act, to serve as a background for the continuing presentation of data on the operation of the act.

THE CIVIL SERVICE RETIREMENT ACT is designed to provide retirement benefits for aged and disabled Federal employees. Like the Railroad Retirement Act and many other public retirement systems, it aims also to retire superannuated employees for the good of the service. This latter purpose had been discussed as early as President Monroe's administration, 125 years ago, when the Secretary of War protested against his "octogenarian department."

During the first 40 years of its existence, the machinery of the Federal Government operated with so few removals of subordinate officials and employees that President Jackson found many of them grown old in the service and removed them on charges of inefficiency. The Four Year Tenure of Office Act of 1820 was extended beyond its original purpose—that of compelling the regular submission of accounts from office holders handling public funds—to form the basis for rotations in office in the era of the spoils system, at its height during 1829-61. Even so, in 1845 a House committee report protested that under the system then existing "the list of officers becomes a pension roll" and described the detrimental effect of superannuation on the efficiency of the Federal service. To eliminate the reduction of efficiency through retention of employees whose abilities had been reduced by age, it proposed not a retirement system for aged employees but rather short terms of office for employees of all ages—in other words, extension of spoils-system rotation.

Civil-service reform laws providing for competitive examination and nonpolitical appointments have been proposed since 1865. Foreign experience was studied as early as 1868 by a joint select committee on retirement headed by Representative Thomas Allen Jenckes of Rhode Island. The Civil Service Act, passed in 1883 after the death of President Garfield at the hands of a disappointed office seeker, led to further discussion of the problems of retirement. Surveys of superannuation in the Federal service were made in 1893, 1900, 1902, and 1903; and beginning in 1899 the Civil Service Commission in its annual reports recommended the adoption of a retirement system financed in whole or in part by deductions from employees' salaries. As early as 1900, clerks in Washington had formed a United States Civil Service Retirement Association to work for a retirement act, but they did not unite in advocating a contributory plan until 1917. Passage of the retirement act waited until the period following the World War, when great reductions had to be made in the Federal civil forces.

The Civil Service Retirement Act of 1920 provided contributory old-age benefits for employees in service thereafter. To take care of aged employees in service at the time the act became law, it provided what were essentially old-age pensions for those at or nearing retirement age. Almost 6,000 employees were retired for age on August 20, 1920. Since deductions from salaries were effective August 1, they had contributed only 2½ percent of 20 days' pay. The minimum amount payable to those then retired was \$180 per year, the maximum \$720; the exact amount for any individual depended on salary and length

*Bureau of Research and Statistics, Division of Coordination Studies. The cooperation of the Civil Service Commission in furnishing data for incorporation in this article and in the social insurance series (pp. 92-97) is gratefully acknowledged.

of service. The annuities of employees retiring in the succeeding two decades have been varying combinations of contributory old-age benefits and noncontributory grants.

As now amended, the act provides for compulsory¹ retirement of employees who have attained retirement age and have served at least 15 years, voluntary retirement 2 years before the statutory retirement age for employees with 30 years of service, and disability retirement after 5 years of service. Employees 45 years of age or over who are involuntarily separated from the service (not for cause) after 15 years of service may elect a deferred annuity beginning at the regular retirement age; a reduced annuity beginning at age 55 or at separation, whichever is later; or a refund of total contributions and interest.

The statutory retirement age varies with the occupation of the employee. Those engaged in particularly arduous or hazardous work, such as laborers and mechanics in navy yards, railway mail clerks, and employees who have served 15 years

¹ The law allows the President, by executive order, to exempt any person from automatic retirement, usually for a period of 1 year, if in his judgment the public interest would be best served by the employee's retention. Such extensions have been relatively few.

in the tropics, retire at 62. Letter carriers, post-office clerks, mechanics and laborers other than in navy yards, and employees of the Indian Service at large, except clerks, retire at 65. All other covered employees, comprising the clerical, technical, and administrative groups in the departments and independent establishments, retire at 70.

Coverage

On June 30, 1940, the Civil Service Retirement Act covered approximately 645,000 employees, principally in the classified civil service of the executive branch of the United States Government, but including also regular employees of the District of Columbia municipal government;² certain specified nonclassified Federal employees such as employees of the Library of Congress and of the Architect of the Capitol are also included, as well as unclassified employees "whose tenure of employment is not intermittent or of uncertain duration." Employees in the legislative branch and officers and employees of courts of the United States may be covered by giving written notice of the desire for coverage.

² Excluding policemen, firemen, and teachers who are covered by special systems.

Table 1.—Employees in the classified civil service, annuitants on the roll of the civil-service retirement system, and average annuity, by department or establishment, June 30, 1940

Department or establishment ¹	Classified civil service, executive branch of Federal Government		Civil-service annuitants							Average annuity
	Number	Percentage distribution	Number	Percentage distribution	Sex		Statutory retirement age			
					Male	Female	62 years	65 years	70 years	
Total	726,827	100.0	62,027	100.0	54,097	7,030	11,355	37,217	13,455	\$865
Post Office Department.....	291,183	40.1	35,398	67.0	33,813	1,585	4,480	27,761	3,167	1,049
Navy Department.....	110,902	15.3	7,597	12.4	7,347	250	5,847	988	762	845
Treasury Department.....	30,277	5.4	4,724	7.7	3,180	1,544	37	1,775	2,912	914
War Department.....	109,195	15.0	4,440	7.3	3,955	491	165	2,904	1,287	812
Interior Department.....	21,148	2.9	2,143	3.5	1,270	807	34	1,285	824	774
Veterans Administration.....	37,831	5.2	1,094	2.8	870	824	6	340	1,349	681
Agriculture Department.....	33,480	4.6	1,698	2.6	1,313	285	705	135	758	682
Government Printing Office.....	5,750	.8	1,171	1.9	882	289	.....	1,064	107	998
Commerce Department.....	18,765	2.3	694	1.1	418	246	7	98	680	970
District of Columbia Government.....	.....	.....	677	(³)	587	90	1	387	280	791
Labor Department.....	2,095	.4	359	.6	298	61	8	63	288	961
General Accounting Office.....	2,213	.3	293	.5	167	126	.....	11	282	976
Justice Department.....	9,464	1.3	290	.5	231	59	57	17	210	848
Interstate Commerce Commission.....	2,736	.4	100	.2	91	9	.....	.....	160	958
Library of Congress.....	.....	.....	91	(³)	35	56	.....	28	63	831
Architect of the Capitol.....	.....	.....	89	(³)	49	40	.....	74	15	667
Smithsonian Institution.....	680	.1	87	.1	60	21	1	40	46	689
State Department.....	1,370	.2	69	.1	44	25	5	1	63	801
Civil Service Commission.....	2,747	.4	43	.1	30	13	1	1	41	1,121
House of Representatives.....	.....	.....	31	(³)	20	11	.....	4	27	681
Judiciary.....	.....	.....	25	(³)	18	7	1	.....	24	1,039
Federal Trade Commission.....	336	(³)	22	(³)	16	6	.....	3	19	1,017
Senate.....	.....	.....	19	(³)	10	3	.....	9	10	756
All other.....	39,870	5.3	307	.6	245	122	1	140	217	792

¹ In order of annuitants on the roll.
² Figured on annuitants in the executive branch only, totaling 61,095, for comparability with data on classified civil service.
³ Less than 0.05.

Source: U. S. Civil Service Commission, 57th Annual Report, fiscal year ended June 30, 1940, p. 136, table 10; Retirement Report, fiscal year ended June 30, 1940.

During its first year of operation, more than 300,000 Government workers were brought under the act of 1920. Since that time the number of covered employees has generally increased, though there have been some fluctuations downward at times of reduction of force among civil employees in the 1920's and early 1930's (chart 1). In fact, from 1930 to 1933 the covered group decreased more rapidly than the total service.

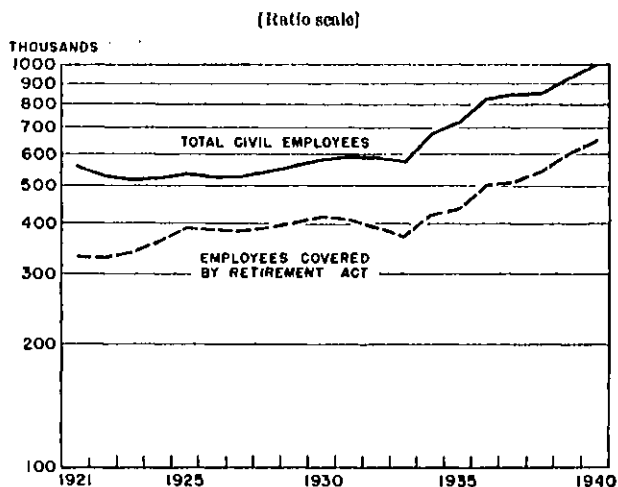
After a year of operation, 58.7 percent of the civil employees in the executive branch of the Government were subject to the retirement act. The percentage covered increased to 72.9 in 1925 and remained above 71 percent through 1930. After 1933, when large numbers of emergency workers were brought into Government service, the percentage of covered workers declined—to 60.3 in 1935. Beginning in 1938 the covered group expanded more rapidly than the total civil service, and the percentage covered increased again—to 64.3 percent in June 1940. Even so, approximately 358,000 civil employees in the executive branch of the Federal Government were not covered by the civil-service retirement system or by the special systems administered separately for other groups of Federal employees.³

About half the employees covered on June 30, 1940, were in the 65-year retirement group, one-third in the 70-year group, and less than one-sixth in the 62-year group.

No data are available concerning the distribution of covered employees by Government departments. In general it parallels the distribution of the classified civil service, shown in table 1 for June 1940. At that time some 80,000 employees in the classified service were not covered by the retirement system. This group included temporary employees in classified positions and employees who failed in noncompetitive examinations when their jobs were classified but continued without status. In some departments there are special groups without retirement status, such as tempo-

³ Separate retirement systems not under the Civil Service Commission have been established for several specified groups of Government employees. The Foreign Service of the State Department, the Examining Division of the Office of the Comptroller of the Currency, employees of the Tennessee Valley Authority and of the Federal Reserve Banks, public school teachers and police and firemen of the District of Columbia, and civilian teachers of the U. S. Naval Academy are protected by special contributory systems. Noncontributory systems provide retired pay for judges of the United States courts, justices of the Supreme Court, and the Hawaiian Judiciary; for the employees of the Lighthouse Service (consolidated with the United States Coast Guard); and for members of the various military services, including the Army and Navy Nurse Corps and commissioned officers of the Public Health Service and of the Coast and Geodetic Survey.

Chart 1.—*Employees covered by the Civil Service Retirement Act, and total civil employees in the executive branch of the United States Government, fiscal years ended 1921-40*



Source: U. S. Civil Service Commission, *Retirement Report*, fiscal year ended June 30, 1940.

rary substitutes in the post-office service and non-civil-service employees from WPA allotments continued in classified positions in the Navy and other departments by special enactment.

Of the classified civil service as of June 30, 1940, more than 290,000 employees, or 40 percent of the total, were Post Office Department employees, and the Navy and War Departments each accounted for approximately 110,000, or 15 percent of the total. Employment in these latter departments is increasing rapidly and is expected to double by the end of the current fiscal year.⁴

In addition to the Civil Service Retirement Act, the Civil Service Commission administers two other retirement acts covering United States citizens employed on the Isthmus of Panama by the Panama Canal or Panama Railroad Company and for those employed in Alaska by the Alaska Railroad. These special acts provide earlier retirement and more liberal annuities to compensate for the special hazards of these employments. The number of employees covered under these two acts has never exceeded 5,000.

Administration and Financing

When the Civil Service Retirement Act became law in 1920, its administration was assigned to the Commissioner of Pensions under the Secretary of

⁴ Fleming, Arthur S., "Emergency Aspects of Civil Service," *Public Administration Review*, Vol. I, No. 1, Autumn 1940, p. 26.

the Interior, while the Civil Service Commission was required to "keep a record of essential information concerning individual service and to furnish the Commissioner of Pensions such reports therefrom as he shall request." In 1930, with the consolidation of the Pension Office and the Veterans Bureau, the administration of civil-service retirement was transferred to the newly created Veterans Administration. Since September 1934 responsibility for administration as well as record-keeping and actuarial work⁵ has been centered in the Civil Service Commission.

Benefit payments under the Civil Service Retirement Act are financed by contributions of the employees and of the Government as employer. All employees covered by the act are required to contribute 3½ percent of their salaries (2½ percent prior to July 1, 1926) to the retirement fund. Deductions are made automatically at the time the salary is paid. In addition, employees may

⁵ Until 1933, the actuarial work was performed by the U. S. Bureau of Efficiency in cooperation with the Board of Actuaries of the civil-service retirement and disability fund and the two related funds.

make optional service-credit deposits, with interest, for service outside the Civil Service Retirement Act which is later included within it by act of Congress or executive order or which is later credited toward retirement because the individual personally obtains a retirement status in a later job. Redeposit of deductions withdrawn by an employee who leaves the service is required, if he returns to service, as a prerequisite to eligibility for retirement benefits. Such redposits may be made, without interest, on the date he reenters Government service or with compound interest at 4 percent at any time before retirement age.

The Government allowance toward each annuity is determined by the formula for computation of benefits, described below. Although the Civil Service Retirement Act requires no specific Government payments into the retirement fund, the implication of the act is that the Government will make up the difference between the contributions of the employees and the amount needed to maintain the fund, and also that the Government

Table 2.—Receipts, disbursements, and status of the civil-service retirement and disability fund, fiscal years 1921-40

(In thousands)

Fiscal year ended June 30	Receipts				Disbursements				Balance in fund June 30 ¹
	Total ¹	Deduction from pay and service credit deposits ²	Interest	Appropriations	Total ¹	Annuities ³	Refunds ⁴	Adjustments and transfers ⁵	
Total ¹	\$1,157,885	\$537,872	\$152,710	\$467,293	\$604,763	\$508,271	\$95,133	\$1,350	.....
1921.....	12,580	12,524	62	.....	2,914	2,591	323	.....	\$0,673
1922.....	14,682	14,095	587	.....	0,391	4,188	2,203	.....	17,064
1923.....	15,150	14,174	982	.....	7,741	4,064	2,786	.....	25,379
1924.....	16,042	15,158	1,485	.....	8,552	5,695	2,854	.....	33,409
1925.....	20,020	17,009	2,030	.....	0,028	6,230	2,713	.....	44,470
1926.....	20,174	17,060	2,205	.....	10,192	6,767	3,444	.....	54,461
1927.....	27,108	24,356	2,813	.....	13,305	9,598	3,802	.....	68,235
1928.....	29,503	26,455	3,048	.....	14,752	10,090	3,771	.....	82,085
1929.....	52,520	28,123	4,447	10,950	10,003	12,005	4,067	.....	110,442
1930.....	55,447	20,048	5,809	20,500	18,120	13,108	6,049	.....	156,763
1931.....	58,277	20,044	7,332	21,000	23,092	10,850	4,160	.....	191,047
1932.....	61,479	31,890	8,589	21,000	26,038	23,546	3,024	.....	223,588
1933.....	61,246	30,404	9,762	21,000	31,838	30,048	4,789	1,468	249,907
1934.....	60,222	28,703	10,518	21,000	47,657	39,021	8,006	.....	262,562
1935.....	61,012	30,080	10,823	21,000	62,744	40,971	6,773	.....	271,730
1936.....	84,268	32,405	11,713	40,150	50,799	50,243	0,406	.....	299,289
1937.....	94,203	34,090	13,013	46,200	60,132	61,001	7,228	.....	331,390
1938.....	127,193	37,322	10,630	73,235	62,476	64,153	8,322	.....	399,077
1939.....	133,497	30,180	10,220	75,087	63,818	60,531	7,287	.....	468,765
1940.....	161,682	42,045	27,555	87,172	67,315	60,252	8,063	.....	653,122

¹ Totals, including balances, are rounded sums of unrounded figures, not sums of rounded figures presented.

² See text, pp. 32-33, for explanation of optional service-credit deposits, mandatory redeposits, and voluntary deposits.

³ Include accrued annuities at death of annuitant, paid to survivors.

⁴ Represent refunds of deposits with interest to separated employees and to designated beneficiaries or estates of employees deceased in active service and refund of unexpended balances of deceased annuitants to their beneficiaries. See also p. 28, table 5, and p. 26, table 4.

⁵ In 1925, item represents accrued interest paid in purchase of bonds; in 1932, transfer to Canal Zone retirement and disability fund of \$1,314,724 deductions and \$163,077 interest of employees placed under the Canal Zone Retirement

Act; in 1937 transfer to Alaska Railroad retirement and disability fund of contributions of Department of Interior employees placed under the Alaska Railroad Retirement Act. Other amounts are minus items for cancellations and repayments; since 1931, cancellations and repayments have been deducted from annuities and refunds.

⁶ Includes \$3,878,280, transferred from appropriations of District of Columbia government, to cover retirement liability for District employees.

⁷ Includes \$246,075 voluntary deposits for purchase of additional annuities and \$246 interest on those deposits under amendment effective Jan. 1, 1940.

Source: U. S. Civil Service Commission, 57th Annual Report, fiscal year ended June 30, 1940, p. 142, table 10.

will meet the accrued liability for service rendered before the system was adopted. The Civil Service Commission is required to submit to the Bureau of the Budget each year "estimates of the appropriations necessary to finance the retirement and disability fund and to continue this act in full force and effect."

Deductions from pay of employees at the 2½-percent rate increased from \$12.5 million in the fiscal year 1920-21 to \$18.0 million in 1925-26 (table 2). At the 3½-percent rate, such deductions have ranged from \$24.4 million in 1926-27 to \$42.9 million in 1939-40, and interest on the deposits has increased to \$21.6 million. Annual disbursements increased from \$2.9 million in 1920-21 to \$67.3 million in 1939-40. Benefits were paid out of employee contributions and interest until the fiscal year 1928-29, when Congress appropriated \$20.0 million to the civil-service retirement and disability fund. Appropriations for the fiscal year 1939-40 totaled \$87.2 million; for the 12 years ended June 30, 1940, \$467.3 million. The balance in the fund has increased from \$9.7 million as of June 30, 1921, to \$553.1 million as of June 30, 1940.

While the fund was set up on an actuarial-reserve basis, it does not have all the assets required for such a basis, because of the fact that appropriations were not made by Congress to meet the deficiency cost, i. e., the cost of accrued liability for service before the act was passed, for which the Government is responsible. According to the latest report of the Board of Actuaries,⁶ the normal cost to support the benefits accruing on account of current service is 6.14 percent of pay roll, 2.64 percent of which is the Government's share. However, the cost due to accrued liability was 5.81 percent of the estimated pay roll on June 30, 1939. Therefore, the total annual Government contribution which the Board of Actuaries recommended was 8.45 percent of pay roll or \$101 million in 1939. It is of interest that the total cost—11.95 percent of pay roll for all employees—varies from 14.75 percent for employees having a normal retirement age of 62, to 8.30 percent for those with a retirement age of 70.

An individual account is maintained for each employee subject to the provisions of the retirement act. The amount deducted from salary,

⁶ *Nineteenth Annual Report of the Board of Actuaries of the Civil Service and Disability Fund for the fiscal year ended June 30, 1939*, p. 7.

less a charge of \$1 for each month in the service since July 1, 1930, plus accumulated interest at 4 percent, represents the employee's accumulation for the purchase of an annuity. The \$1 per month, called tontino,⁷ becomes a part of the general civil-service retirement and disability fund from which is paid the Government's share of each annuity, as explained in the discussion of benefit formula below. The employee's accumulations plus interest—but not the tontino—are returned to any employee who resigns or who is removed for cause. Tontino plus accumulated interest is included in the refunds to an employee who is involuntarily separated (not for cause) or to the beneficiary of an employee who dies in active service. No part of employees' contributions is used for administrative expenses; such costs are met from appropriations for salaries and expenses of the Civil Service Commission.

An amendment effective January 1, 1940, provides for voluntary deposits in multiples of \$25, not to exceed 10 percent of total basic salary since August 1, 1920, for the purchase of additional annuity. Such deposits draw interest at 3 percent—1 percent less than the interest on mandatory deductions. The full amount of voluntary deposits and interest is returned to any employee leaving the service. Within the first 6 months of the effective date of this amendment, 450 employees deposited a quarter of a million dollars for this purpose.

The Benefit Formula

Benefits under the Civil Service Retirement Act are heavily weighted in favor of low-paid employees. Under the benefit formula of the 1930 amendments, this result is accomplished mainly by an allowance for each year of service, largely independent of salary, under two different formulas. Plan I is called the purchasable plan, because the Government's allowance for years of service is supplemented by the annuity purchasable with the employee's contributions. An alternative Plan II, called the guaranteed-minimum annuity, was provided to be used whenever it would yield a larger annuity than Plan I. It does not provide a flat rate of annuity, because the

⁷ The word "tontino" is derived from the name of Lorenzo Tonti, an Italian banker of the 17th century, who developed a system of collective benefits based on the principle of forfeiture to a common fund, with individual profits increasing as the number of survivors diminished and the final survivor taking the whole. The term is not used in the Civil Service Retirement Act.

amount varies at wage levels under \$1,600 per year and with service of less than 30 years.

For an annuitant at retirement age (or at optional retirement with 30 years' service), the purchasable plan allows, as the Government's share, an annuity of \$30 for each year of service ⁸

¹ The Government allowance for an employee eligible for an annuity covers all years of Federal service, whether classified or otherwise, and whether or not the employee has made voluntary deposits for any period of unclassified service to increase his purchasable annuity.

not exceeding 30 (provided that this portion of the annuity does not exceed three-fourths of the highest average basic annual salary during any 5 consecutive years of service). This basic amount is supplemented by the amount of annuity purchasable with the sum in the employee's individual account, together with interest at 4 percent, compounded annually.

The purchasable annuity varies with the sex

Table 3.—Accumulations of salary deductions and civil-service retirement annuities payable at age 70 on nonforfeiture basis to male employees who entered service on or after July 1, 1930, for specified years of service, by annual salary

Annual salary ¹	Accumulations ² and annuity ³	Years of service								
		15	20	25	30	35	40	45	50	
\$1,200	Accumulations.....	\$655.66	\$975.00	\$1,363.00	\$1,836.41	\$2,411.67	\$3,111.51	\$3,962.98	\$4,908.99	
	Annuity—Total.....	513.02	695.05	882.04	1,079.02	1,135.10	1,203.32	1,280.33	1,367.32	
	Employee.....	63.02	85.05	132.04	179.02	235.10	303.32	386.33	487.32	
	Government.....	450.00	600.00	750.00	900.00	900.00	900.00	900.00	900.00	
1,440	Accumulations.....	784.33	1,166.41	1,631.27	2,106.85	2,684.96	3,372.15	4,170.72	5,079.97	
	Annuity—Total.....	650.00	870.00	1,090.02	1,114.16	1,181.21	1,262.85	1,362.15	1,472.06	
	Employee.....	76.46	113.71	159.02	214.16	281.24	362.85	462.15	582.06	
	Government.....	463.54	606.29	750.00	900.00	900.00	900.00	900.00	900.00	
1,620	Accumulations.....	913.00	1,357.77	1,898.80	2,557.25	3,358.25	4,332.78	5,518.35	6,961.01	
	Annuity—Total.....	600.00	800.00	1,000.00	1,200.00	1,227.38	1,322.38	1,437.06	1,578.59	
	Employee.....	80.00	132.30	185.11	219.20	327.38	422.38	537.06	678.59	
	Government.....	511.00	667.64	814.89	980.71	900.00	900.00	900.00	900.00	
2,000	Accumulations.....	1,181.64	1,761.74	2,463.80	3,318.10	4,357.41	5,621.90	7,190.34	9,032.09	
	Annuity—Total.....	600.00	800.00	1,000.00	1,223.46	1,324.78	1,448.05	1,598.02	1,760.49	
	Employee.....	115.48	171.74	210.10	323.46	424.78	518.05	608.02	680.49	
	Government.....	484.52	628.26	750.00	900.00	900.00	900.00	900.00	900.00	
2,600	Accumulations.....	1,613.55	2,309.59	3,355.92	4,519.44	5,935.05	7,657.35	9,762.70	12,392.22	
	Annuity—Total.....	607.30	833.92	1,077.15	1,340.58	1,478.58	1,646.47	1,841.50	2,308.56	
	Employee.....	157.30	233.92	327.15	410.58	578.58	716.47	850.75	1,100.28	
	Government.....	450.00	600.00	750.00	900.00	900.00	900.00	900.00	1,100.28	
3,200	Accumulations.....	2,042.45	3,037.44	4,247.07	5,720.78	7,512.68	9,602.70	12,345.24	15,572.35	
	Annuity—Total.....	649.11	806.10	1,164.11	1,457.50	1,632.37	1,889.80	2,406.94	3,036.14	
	Employee.....	109.11	206.10	414.11	557.50	732.37	914.90	1,203.47	1,518.07	
	Government.....	450.00	600.00	750.00	900.00	900.00	914.90	1,203.47	1,518.07	
3,800	Accumulations.....	2,471.36	3,675.28	5,140.03	6,922.12	9,090.31	11,728.24	14,937.60	18,842.48	
	Annuity—Total.....	600.02	858.28	1,251.07	1,574.80	1,786.17	2,286.60	2,912.40	3,673.72	
	Employee.....	210.02	358.28	501.07	674.80	886.17	1,143.33	1,456.20	1,836.86	
	Government.....	450.00	600.00	750.00	900.00	900.00	1,143.33	1,456.20	1,836.86	
4,000	Accumulations.....	3,043.23	4,525.75	6,329.44	8,523.04	11,193.82	14,442.17	18,394.30	23,202.65	
	Annuity—Total.....	746.07	1,011.10	1,367.02	1,730.95	2,182.46	2,815.78	3,586.34	4,523.82	
	Employee.....	206.07	411.10	617.02	830.95	1,091.23	1,407.89	1,793.17	2,261.91	
	Government.....	450.00	600.00	750.00	900.00	1,091.23	1,407.89	1,793.17	2,261.91	
5,000	Accumulations.....	3,758.08	5,588.83	7,810.20	10,526.14	13,823.21	17,834.68	22,715.05	28,632.87	
	Annuity—Total.....	816.36	1,144.83	1,523.92	2,052.28	2,695.10	3,477.20	4,428.74	5,880.44	
	Employee.....	366.36	544.83	761.96	1,026.14	1,317.55	1,738.60	2,214.37	2,793.22	
	Government.....	450.00	600.00	761.96	1,026.14	1,317.55	1,738.60	2,214.37	2,793.22	

¹ Fixed salary for entire period of service or equivalent.
² Accumulations are figured at 3½ percent of salary less \$1 a month plus interest at 4 percent, on basis of act as amended May 20, 1930.
³ Employee annuity is figured by factor .0974840 effective Feb. 1, 1910, for age annuities and optional 30-year service retirement. Different factors are used for disability annuities. Comparable annuities for women would be less, because figured by factor .0876211. If employee elects to receive a single life annuity with forfeiture to fund of any balance to his credit at time of death, annuity would be larger.

⁴ Total annuity computed by Plan II, guaranteed-minimum annuity. All other annuities figured under Plan I which gives larger annuities under conditions specified.
⁵ Government annuity, equal to employee's purchasable annuity, according to 1939 amendment.

Source: U. S. Civil Service Commission, Retirement Division, Actuarial Section.

and corresponding life expectancy of the annuitant and with the election of a forfeiture or nonforfeiture type of annuity. For a man with the minimum requirement of 15 years of service (after 1930) and a salary of \$1,260 per year, this formula yields a nonforfeiture annuity at retirement age 70^o of \$513.92 (table 3); for a woman, \$507.45; \$450 of each amount is the Government allowance. Since only the purchasable part of the annuity increases with the salary grade, the annuity for a man with 15 years of service and a salary of \$4,600 would be only \$746.67, while for one at the \$5,600 a year level it would be \$816.36. On the other hand, a man who had an annual salary of \$2,000 but who had 30 years' service would be eligible for \$1,223.46 at the time of his retirement.

The weighting of the Government annuity, and hence of the total annuity, for years of service may be seen from the following tabulation of the annuities payable to men retiring at age 70, with approximately the same amount of accumulations for the purchase of annuities, but with varying salary and service records:

Annual salary	Years of service	Total accumulations ¹	Total annuity	Purchasable annuity	Government annuity
\$5,600	15	\$3,758.09	\$816.36	\$366.36	\$450
3,600	20	3,075.28	658.28	358.28	600
2,600	25	3,355.02	1,077.15	327.15	750
2,000	30	3,318.10	1,223.46	323.46	900
1,820	35	3,358.25	1,227.39	327.38	900
1,440	40	3,722.15	1,202.85	302.85	900

¹ Deductions minus tuition plus interest.

The increase in the total annuity for years of service above 30 is slight, because the Government portion of the annuity remains at \$900 for all the employees cited above with 30 years or more of service. However, an amendment effective January 1, 1940, provides that the Government portion of the annuity shall not be less than an amount equal to the employee's purchasable annuity. This amendment affects employees with relatively large salaries, long service, or both (table 3); for example, those with \$2,600 salaries if they have

^o The Government annuity is computed similarly for employees in the 65 and 62-year retirement age groups, but the amount of annuity purchased with the employees' own contributions is smaller because of the greater life expectancy at the younger ages. The purchasable annuity is calculated by multiplying the accumulations by the following factors:

62-year group: men, .0700405; women, .0731829;

65-year group: men, .0854028; women, .0778816;

70-year group: men, .0974840; women, .0870271.

If on retirement an employee elects to forfeit to the fund any balance of his accumulations to his credit at the time of his death, the annuity is increased.

had almost 44 years of service or those with salaries of \$5,600 and a little more than 24 years of service. An employee with exactly 30 years of service is not affected unless his salary averaged \$4,954 or more.

Plan II, the guaranteed-minimum annuity plan, allows for each year of service (not exceeding 30) one-fortieth of the highest average annual basic salary (not exceeding \$1,600) received during any 5 consecutive years of service; in other words, a maximum of 30 times \$40. It is this plan which has given many employees with 30 years or more of service and a salary of \$1,600 or more for 5 consecutive years the \$1,200 per year which has been considered the standard civil-service annuity. However, for an employee with the minimum-service requirement of 15 years and a salary of \$1,260, the plan yields only \$472.50—less than Plan I.

Plan II is used whenever it will yield a higher annuity than Plan I. At the lowest salaries, where one-fortieth approaches or is less than the \$30 Government contribution per year under Plan II, Plan I, with its addition of the purchasable annuity, provides more liberal benefits. For salaries of \$1,600 or more, where the \$40 maximum per year of service applies, Plan I will yield more if the purchasable annuity is more than one-third of the Government allowance of \$30 per year of service. However, for salaries of \$1,440 to \$2,000, when the accumulations from years of service are so meager as to make the purchasable annuity small in comparison with the Government allowance, the guaranteed-minimum plan yields a larger annuity (table 3). Most retirements to date have been under Plan II, since the annuity which could be purchased by the accumulations from employee contributions since 1920, usually on only a portion of the employee's Government service, is a relatively small fraction of the annuity granted.

Like the railroad retirement system and many private pension plans, the civil-service retirement system meets the problems of employees who were already in Government service before the establishment of the system by the allowance—up to \$30 under Plan I or up to \$40 under Plan II—for each year of service (up to 30 years), whether before or after the establishment of the system. It makes no provision, however, for the retirement of employees with a short period of service in

covered Federal employment, i. e., employees already of advanced age when they enter Government service.¹⁰ The relatively high minimum-service requirement for retirement on account of age—15 years—and the proportionate weighting of the annuity for years of service are in sharp contrast to the old-age and survivors insurance provisions under the Social Security Act in which prior-service credits¹¹ are not provided and the increment for years of service is a relatively minor fraction of the total annuity.

The formulas used for age annuities under the Civil Service Retirement Act are used in figuring disability benefits for employees who are "totally disabled"¹² for useful and efficient service in the grade or class of position occupied," but only 5 years of service, rather than 15, are required. Obviously the formulas produce small annuities for employees disabled after the minimum length of service—about \$165 under Plan I for entrants after June 30, 1930, with a salary of \$1,260, and \$200 under Plan II, for salaries of \$1,600 to \$3,500.

It is significant to note that these disability benefits are for total disability measured against the specific occupations, and must not be confused with the permanent-total disability requirements "for any gainful work or hire" found in other disability retirement systems.

For employees involuntarily separated from the service after 30 years' employment under a special provision of the Independent Offices Appropriation Act (the so-called Economy Act) effective between June 16, 1933, and July 1, 1935, annuities were computed as in automatic age retirement but reduced by 3½ percent until the annuitant reaches normal retirement age.

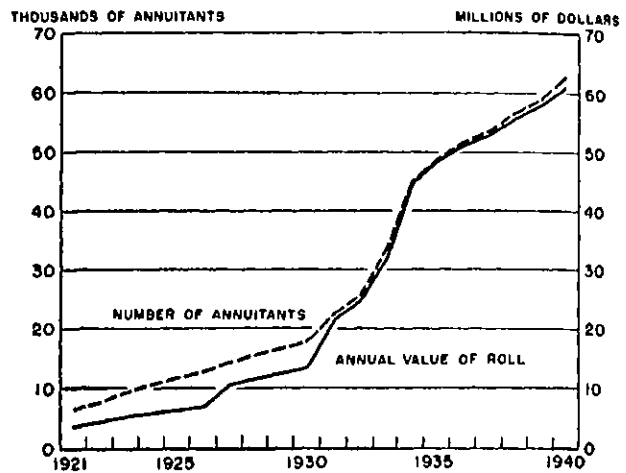
When applied in involuntary separation of employees at least 45 years of age with 15 or more years of service who elect annuities to begin at

¹⁰ The possibility of large numbers of employees reaching retirement age without 15 years of service is eliminated by age limits for entering the classified service, which, however, do not apply to persons with veteran preference.

¹¹ The old-age and survivors insurance formula, which attempts to meet the problem of employees in covered employment before the establishment of old-age insurance by an average-wage formula instead of prior-service credits, would, in the early years of its operation, contribute toward meeting the needs of older workers entering covered employment for the first time. However, as the program matures and the period lengthens during which such workers could have earned wages in covered employment, the reduction in the average wage will reduce the amount of benefits available for workers entering covered employment late in life.

¹² Employees disabled by a work-connected accident may choose between disability benefits under the Civil Service Retirement Act and benefits provided by the Federal Compensation Act of 1916, administered by the United States Employees' Compensation Commission.

Chart 2.—Annuitants on the roll of the three retirement and disability funds administered by the Civil Service Commission, and annual value of the roll, fiscal years ended 1921–40



Source: Table 4.

age 55 or at separation, whichever is later, the formula yields small annuities not only because of the fewer years of service but also because of an adjustment for the longer life expectancy at the earlier retirement age. For instance, a deferred annuity of \$600 at age 70, based on 15 years' service, would yield only \$286.68 per year at age 55.

The Civil Service Retirement Act makes no general provision for survivors' benefits, comparable to those of the old-age and survivors insurance program of the Social Security Act.¹³ In January 1940, a provision for joint and survivor annuities similar to that of the Railroad Retirement Act went into effect. Any employee retiring under the age or 30-year-service provisions may elect at retirement a lower annuity during his lifetime in order that, after his death, his widow or other designated beneficiary may receive an annuity during her lifetime. The amounts payable depend on the life expectancy of the employee at retirement, as well as of the beneficiary, as determined by their age and sex, and also on the choice of a survivor's annuity equal to, or 50 percent of, the employee's annuity. In the first 6 months of its operation, approximately 3.9 percent of the annuitants retired for age or service elected this type of annuity.

An annuitant who has not elected a joint and

¹³ See Bronson, D. C., "Old-Age and Survivors Insurance in Its Relation to Public Employees," *Social Security Bulletin*, Vol. 3, No. 5 (May 1940), pp. 10-16.

survivorship annuity may elect a forfeiture or nonforfeiture annuity. If he elects a nonforfeiture annuity, any unexpended balance of his accumulations is payable to his designated beneficiary or to his estate upon his death. The forfeiture annuity is larger because the annuitant agrees to forfeit to the fund any balance of his accumulations at his death. The Government's share of the annuity is always on a forfeiture basis. When employees die before retirement, lump-sum refunds are made of all their contributions plus interest.

Growth of the Retirement Roll

During the first decade of the operation of the Civil Service Retirement Act, the retirement roll grew slowly (chart 2). At the end of the first year of operation (June 1921) 6,500 retired civil employees were drawing benefits at the rate of \$3.7 million per year. By June 1930 annuitants had increased to 17,800, and the annual amount payable, to \$13.5 million. After the liberalization of the retirement law by the 1930 amendments, the increase was more rapid. By June 1940, the number of annuitants had increased to

62,000; the annual value of the roll to \$59.9 million (table 4).

Total disbursements for monthly benefits under the Civil Service Retirement Act during the 20 years were \$508.3 million (table 2). Disbursements of \$4.7 million from the Canal Zone retirement and disability fund and of \$210,000 from the Alaska Railroad retirement and disability fund increase the total annuity payments to \$513.2 million.

Between 1921 and 1940, \$95.1 million was returned to employees leaving the service or to survivors of deceased employees or annuitants under the civil-service retirement plan, \$95.9 million under the three plans administered by the Civil Service Commission. More than half a million employees withdrew their deposits upon leaving the service and lost the rights which they had been accumulating for old-age and disability benefits. A small proportion of these workers replaced their deposits upon returning to classified Federal employment.

During the 5 fiscal years 1935-36 to 1939-40 for which data on amounts of refunds are separable (table 5), more than 75,500 employees who were

Table 4.—Annuitants on the roll of the three retirement and disability funds administered by the Civil Service Commission and annual value of the roll, June 30, 1921-40

Year	Annuitants on the roll													Annual value of the roll (in thousands)				
	Total				Civil Service				Canal Zone				Alaska Railroad		Total	Civil Service	Canal Zone	Alaska Railroad
	Total	Age ¹	Disability	Involuntary separation ²	Total	Age ¹	Disability	Involuntary separation ²	Total	Age ⁴	Disability	Involuntary separation ²	Total ³	Age				
1921	6,471	5,947	624	.....	6,471	5,947	624	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1922	7,576	6,667	909	.....	7,576	6,667	909	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1923	9,334	7,994	1,340	.....	9,334	7,994	1,340	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1924	10,548	8,895	1,653	.....	10,548	8,895	1,653	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1925	11,039	9,741	1,918	.....	11,039	9,741	1,918	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1926	12,524	10,277	2,247	.....	12,524	10,277	2,247	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1927	14,116	11,353	2,760	.....	14,116	11,353	2,760	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1928	15,383	12,173	3,210	.....	15,383	12,173	3,210	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1929	16,501	12,024	3,677	.....	16,501	12,024	3,677	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1930	17,768	12,604	3,904	1,270	17,768	12,604	3,904	1,270	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1931	22,050	16,329	4,947	1,374	22,050	16,329	4,947	1,374	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1932	25,724	18,299	6,016	1,409	25,567	18,190	5,973	1,404	167	169	43	6	.....	.....	.....	.....	.....	.....
1933	33,083	24,189	7,344	1,550	32,836	24,015	7,281	1,539	248	174	63	11	.....	.....	.....	.....	.....	.....
1934	45,010	34,110	9,042	1,870	44,708	33,900	8,941	1,801	332	213	101	18	.....	.....	.....	.....	.....	.....
1935	49,031	37,021	9,994	2,016	48,065	36,782	9,886	1,997	360	230	108	19	.....	.....	.....	.....	.....	.....
1936	51,008	38,594	10,908	2,016	51,200	38,331	10,877	1,998	402	263	121	18	.....	.....	.....	.....	.....	.....
1937	53,796	39,576	12,180	2,040	53,306	39,241	12,044	2,021	458	305	135	18	32	30	52,921	52,282	602	\$37
1938	59,085	41,118	13,480	2,081	59,130	40,740	13,340	2,050	607	338	139	30	48	40	58,021	54,587	682	61
1939	59,022	42,471	14,481	2,070	58,385	42,041	14,316	2,029	578	383	155	40	59	47	57,909	57,074	776	59
1940	62,700	45,177	15,471	2,058	62,027	44,714	15,204	2,019	611	409	164	38	58	54	60,700	59,879	820	67

¹ See footnotes 3 and 4.
² After 15 years or more of service and at least 45 years of age.
³ Includes involuntary separation, 1921-30; voluntary retirement after 30 years' service, 1931-40; and involuntary retirement after 30 years' service, 1931-40.
⁴ Includes voluntary and involuntary retirement after 30 years' service and voluntary retirement after 25 years' service.

⁴ Difference between total and age annuitants represents disability annuitants except for 1 involuntary separation each year.
 Source: U. S. Civil Service Commission, 57th Annual Report, fiscal year ended June 30, 1940, pp. 143, 146, 146, tables 18, 20, 22.

Table 5.—Refunds from the three retirement and disability funds administered by the Civil Service Commission, fiscal years 1935-36 through 1939-40¹

Fund and type of refund	Number	Total amount (In thousands)	Average amount ²
Total	101,147	\$37,894	
To separated employees.....	75,513	15,283	\$202
Civil Service.....	74,530	15,023	202
Canal Zone.....	607	235	387
Alaska Railroad.....	370	25	65
To survivors of deceased employees.....	14,912	15,745	1,050
Civil Service.....	14,791	15,581	1,053
Canal Zone.....	103	150	1,542
Alaska Railroad.....	18	5	200
To survivors of deceased annuitants.....	10,722	6,867	640
Civil Service.....	10,621	6,702	637
Canal Zone.....	89	94	1,055
Alaska Railroad.....	12	10	850

¹ Data for Alaska Railroad retirement and disability fund cover only 4 years 1936-37 through 1939-40, complete period of operation.

² Computed from unrounded data.

³ Number of employees or annuitants with respect to whom payments were made, not number of beneficiaries receiving payments.

Source: Unpublished data from the Actuary of the Retirement Division of the Civil Service Commission. See also p. 96, table 4.

separated from employment withdrew deposits exceeding \$15 million, or an average of \$202. Almost 15,000 employees died while in active service. Their contributions to the retirement fund, paid to their survivors, also exceeded \$15 million, or an average of \$1,056. Almost 11,000 annuitants died with an unexpended balance of accumulations in the retirement fund. The amount paid to their survivors totaled almost \$7 million, or an average of \$640. Table 5 shows separately the refunds reported for the three systems administered by the Civil Service Commission. The total amounts paid from the Canal Zone and Alaska Railroad retirement funds are small, but the variations in average payments are significant. The higher salaries of Canal Zone employees are reflected in the higher average amounts paid with respect to such employees, while the short period of service covered by the Alaska Railroad Retirement Act is reflected in lower average amounts paid with respect to employees under that act.

Characteristics of Annuitants

The annuitants on the roll June 30, 1940, are a cross section of Government employees who have retired between 1920 and 1940. Their average number of years on the roll was 6.3; the largest number of annuitants and the median annuitant had been on the roll 6 years. Their ages (averag-

ing 67.8) varied from 26 for the youngest disability annuitant to 120 for the oldest age annuitant. Their service averaged 27.3 years; it varied from 5 years to 64 years; and it began as early as 1868 or as recently as 1935.

The majority of the annuitants were men, and in the 65-year retirement age group (table 6). More than 57 percent of the total annuitants and more than 61 percent of the men on the roll were former Post Office Department employees (table 1). Almost four-fifths of these 35,000 Post Office annuitants were letter carriers or post-office clerks, laborers, and mechanics, who are automatically retired at age 65 if they have had 15 years' service or optionally at age 63 if they have had 30 years or more of service; another eighth were railway postal clerks, who retire at age 62. The next largest percentage—12.2—of the total annuitants were Navy Department employees, principally navy-yard mechanics and laborers in the 62-year retirement group. Only 8 other departments or establishments accounted for as much as 1 percent of

Table 6.—Number and percentage distribution of civil-service annuitants on the roll, by sex, statutory age of retirement, and cause of retirement, June 30, 1940

Sex and statutory age of retirement	Total	Cause of retirement				
		Age	Retirement after 30 years' service		Disability	Involuntary separation ³
			Voluntary ¹	Involuntary ²		
Total	62,027	30,216	6,318	8,180	15,294	2,019
Total, men	54,007	27,795	5,951	7,605	11,874	1,712
62 years.....	11,234	7,201	1,274	511	1,058	287
65 years.....	34,270	18,017	3,000	6,132	7,244	857
70 years.....	9,493	4,514	687	1,022	2,672	508
Total, women	7,030	2,421	367	515	3,420	307
62 years.....	121	67	5	0	48	1
65 years.....	2,047	1,170	175	183	1,289	124
70 years.....	3,062	1,178	187	332	2,683	182
Percentage distribution by cause of retirement						
Total	100.0	48.7	10.2	13.2	24.7	3.2
Total, men	100.0	50.9	10.8	13.9	21.6	3.1
62 years.....	100.0	64.1	11.3	4.6	17.4	2.6
65 years.....	100.0	48.8	11.7	17.9	21.1	2.5
70 years.....	100.0	47.9	7.2	10.8	28.1	6.0
Total, women	100.0	34.4	5.2	7.3	48.7	4.4
62 years.....	100.0	55.4	4.1	0	30.7	.8
65 years.....	100.0	39.9	5.0	6.2	43.8	4.2
70 years.....	100.0	29.7	4.7	8.4	52.6	4.0

¹ Within 2 years of retirement age.

² Regardless of age; effective 1933-35 only.

³ After 15 years or more of service and at least 45 years of age.

Source: U. S. Civil Service Commission, *Retirement Report*, fiscal year ended June 30, 1940.

the total number on the roll, and only 4 additional agencies had as many as 100 annuitants.

The percentage distribution of the annuitants by department or establishment does not parallel the percentage distribution of employees in the classified service (table 1). Compare, for instance, the Post Office Department, with 40 percent of the classified covered employees and 57 percent of the annuitants, and the War Department, with 15 percent of the employees and 7 percent of the annuitants; or the "all other agencies," including the newer agencies, with 5.3 percent of the classified workers and 0.6 percent of the annuitants. Such differences may be explained in terms of the date at which an agency was established or periods of intensive hiring or lay-offs which influence the number of qualified employees reaching retirement age in future years, as well as the different statutory retirement ages for particular groups predominating in the various agencies.

The relationship between statutory retirement age, sex, and cause of retirement is shown in table 6. The differences between men and women in distribution by reason for retirement are largely influenced by the differences in retirement age for their occupational groups. The majority of the men—62.3 percent—were in the 65-year statutory age group; the majority of the women—56.4 percent—were in the 70-year age group. Thus for the men there is more likelihood than for the women that the individual's state of health will permit working until the normal retirement age.

Almost one-fourth of the 62,000 individuals on the roll June 30, 1940, were disability annuitants. However, the proportion of disability annuitants varies greatly as between men and women and among the statutory retirement age groups. The higher the normal retirement age, the larger the proportion of employees retiring on account of the mental or physical disabilities of senescence prior to reaching retirement age.¹⁴ Among the men, the proportion of disability annuitants varied from one-sixth for the 62-year group to almost three-tenths for the 70-year group. Almost half of the women on the roll were retired for disability, but less than two-fifths of those in the 62-year group and only slightly more than two-fifths of those in the 65-year group were retired for this reason.

¹⁴ See Altmyer, A. J., "Social Security for Permanently Disabled Workers," *Social Security Bulletin*, Vol. 4, No. 3 (March 1941), pp. 3-10.

Similarly, the lower the retirement age, the larger the proportion of employees who are able to work until retirement age. While less than one-half of all annuitants were retired on account of age, almost two-thirds of the 62-year age group were retired for this cause. One-tenth of the annuitants but only one-twentieth of the women had taken advantage of the opportunity to retire 2 years before the regular retirement age which is available to employees with 30 years or more of service. These voluntary retirements are essentially age retirements, since all employees covered were within 2 years of the statutory retirement age. They bring the total age retirements close to 60 percent of the total. Only 3 percent of the total annuitants represent involuntary separations of employees 45 years of age or over with 15 or more years of service, who elected monthly payments instead of cash refunds. However, 13 percent of all annuitants on the roll June 30, 1940, had been retired under the temporary provision effective 1933-35, for involuntary retirement of employees with 30 years or more of service, regardless of age. These annuitants were largely letter carriers and post-office clerks in the 65-year group. The table suggests, however, that this provision, like the disability provision, was used to retire employees whose normal retirement age was not adjusted to their individual working capacity.

Average Amount of Annuity

Under the original act of 1920, which set a maximum annuity of \$720, the average annuity varied from \$568 in 1921 to \$545 in 1925. After the amendment of July 3, 1926, which raised the maximum to \$999.00, the average annuity rose to \$721 in 1927 and to \$759 in 1930. With the present annuity formula, in force since 1930, the average has been as low as \$652 in 1931 and as high as \$690 in 1934. The average as of June 30, 1940, was \$665.

In table 7, the distribution of annuitants on the roll as of June 30, 1940, by amount of annuity is shown in \$100 intervals by cause of retirement. The effect of the guaranteed-minimum formula is clearly shown; more than one-third of all annuitants and more than nine-tenths of those retiring voluntarily with 30 years or more of service receive exactly \$1,200, the amount yielded under this formula for 30 years or more of service at a salary of \$1,600 or more.

Table 7.—Number of civil-service annuitants on the roll, by amount of annuity and cause of retirement, June 30, 1940

Amount of annuity ¹	Total	Cause of retirement				
		Age	Retirement after 30 years' service		Disability	Involuntary separation ⁴
			Voluntary ²	Involuntary ³		
Total.....	62,027	30,210	6,318	8,180	15,204	2,010
Less than \$100.....	41	39	0	0	2	0
100-199.....	208	160	0	1	133	4
200-299.....	690	225	1	0	627	137
300-399.....	1,609	289	3	0	932	442
400-499.....	2,327	647	1	1	1,258	420
500-599.....	3,525	1,082	1	1	1,478	363
600-699.....	4,807	2,005	0	1	1,652	249
700-799.....	3,905	2,220	1	5	1,659	174
800-899.....	3,834	2,349	14	21	1,344	106
900-999.....	3,742	2,367	64	79	1,167	65
1,000-1,099.....	4,215	2,752	90	75	1,219	50
1,100-1,199.....	9,091	3,412	140	4,859	1,273	7
1,200.....	21,043	10,038	5,743	3,031	2,629	2
1,201-1,299.....	608	450	255	106	88	0
1,300-1,399.....	50	44	3	0	3	0
1,400-1,499.....	19	17	1	0	1	0
1,500-1,599.....	4	4	0	0	0	0
1,600-1,699.....	1	0	1	0	0	0
1,900-1,999.....	1	1	0	0	0	0
Average annuity.....	\$965	\$973	\$1,194	\$1,170	\$803	\$538

¹ To nearest dollar.

² Within 2 years of retirement age.

³ Regardless of age; effective 1933-35 only.

⁴ After 15 years or more of service and at least 45 years of age.

Sources: U. S. Civil Service Commission, *Retirement Report*, fiscal year ended June 30, 1940.

A distribution of annuitants on the roll by years of service shows clearly the effect of length of service, especially service up to 30 years, on the amount of annuity. The average annuity of those retired on account of disability after 5-9 years' service is only \$282; after 10-14 years, \$473. In contrast, the average annuity of all types based on 25-29 years of service is \$1,035, and for the three 5-year groups 30-44, \$1,167. The distribution of length of service by sex and by type of annuity (table 8) shows that most classes of annuitants with 25 or more years of service have average annuities of \$1,000 or more. As would be expected, because of the reductions made for annuities beginning between age 55 and retirement age, the average for employees involuntarily separated from the service after age 45 is appreciably lower than for other types of annuities.

While the average annuity for women (\$772) is 22 percent less than the average for men (\$990), the difference is largely the result of the fact that their average service is 16 percent less. For most groups, the average annuity for women is only 5 to 10 percent less than the average for men with the same length of service. The benefit formula,

weighted in favor of lower-salaried employees, reduces the effect of the women's lower average salaries.

Table 8 calls attention to the extremely long service of some annuitants. Even in the so-called "30-year-service group," 37 percent of the men and 50 percent of the women who retired voluntarily before retirement age had had 35 years or more of service; 2 percent of the men and 8 percent of the women had worked for the Government 45 years or more. While disability annuitants may retire with as little as 5 years' service and 24 percent had less than 15 years, 22 percent of the men and 13 percent of the women had had 30 years or more of Government service. Although most of the annuitants who were separated involuntarily after age 45 had had between 15 and 29 years of service, more than 11 percent of the men and 10 percent of the women in this group had had 30 years or more of service. A few had worked 45 years or more but had not reached the optional retirement age.

The effect of years of service on the size of annuities is understated by the data in table 8, since many of these annuitants had service before 1920, which is reflected only in the Government annuity and not in the annuity purchasable with the employee's contributions. Table 3, on the other hand, overstates the effect of years of service on the size of annuities granted to date, since the annuities are figured on a rate of contribution in effect only since 1930.

The increasing range of benefits reflects in part the influence of the accumulation of contributions. The highest annuity granted in 1938 was \$1,546; in 1939, \$1,651; in 1940, \$1,900. In spite of the addition of a few annuitants at higher annuities, the average annuity in 1940 is lower than the average in recent years because of the retirement of a considerable number of low-salaried fourth-class postmasters, who first became eligible for annuity benefits on February 1, 1940.

Proposals for Changes

Some of the limitations of the protection provided by the civil-service retirement plan have already been mentioned: (1) the exclusion of large numbers of Federal workers not protected by any special retirement plan; (2) the heavy minimum-service requirements for age retirement; (3) the limited survivors' benefits provided; and (4) the

frequent dissipation of rights through return of deposits when employees leave the service.

The operation of the latter two factors is now being emphasized by the increasing shift of employees under the impetus of the defense program. In addition to the migration of professional employees from State and city to Federal employment, defense activities are drawing into the navy yards and arsenals of the country many employees previously covered by Federal old-age and survivors insurance. Many will not remain in Federal employment long enough to acquire retirement rights under the Civil Service Retirement Act, while their rights to old-age and survivors insurance under the Social Security Act diminish or vanish with the passage of time.

Various proposals to bridge this gulf between the various systems are now being studied.¹⁵

The diverse retirement ages provided for different groups of civil-service employees have long been recognized as creating substantial complications. The establishment of the retirement age of 65 under the Social Security and the Railroad Retirement Acts challenges the equity of the statutory 70-year retirement (68 with 30 years of service) for one-third of the Federal employees

¹⁵ In an article on Personnel Administration in the Seventh Decade, Leonard D. White, formerly a Civil Service Commissioner, calls attention to the movement of city and State personnel to the Federal Government and the limitation on such movement "If public retirement systems are widely inaugurated which fail to permit the transfer of pension accruals. The anticipated spread of pension plans, a necessary step forward, need not curtail freedom of movement if they are properly constructed, but will unless care is taken." *Public Personnel Review*, April 1940, pp. 1-9. See also Brouson, op. cit.

Table 8.—Number of civil-service annuitants on the roll and average annuity, by sex, years of service, and cause of retirement, June 30, 1940

Years of service at retirement	Total		Cause of retirement									
			Age		Retirement after 30 years' service				Disability		Involuntary separation ¹	
	Number	Average annuity	Number	Average annuity	Voluntary ²		Involuntary ³		Number	Average annuity	Number	Average annuity
Men annuitants												
Total.....	54,097	\$900	27,705	\$890	5,051	\$1,104	7,065	\$1,171	11,874	\$834	1,712	\$552
5-9.....	040	287							040	287		
10-14.....	1,730	475							1,730	475		
15-19.....	8,231	623	5,200	629					2,272	608	609	424
20-24.....	6,060	830	4,400	855					2,085	865	475	530
25-29.....	8,767	1,049	0,169	1,061					2,229	1,074	309	684
30-34.....	17,691	1,171	5,200	1,105	3,717	1,193	0,503	1,169	1,020	1,183	152	780
35-39.....	0,203	1,174	3,393	1,194	1,403	1,100	856	1,162	518	1,183	34	810
40-44.....	3,404	1,171	2,304	1,161	070	1,107	279	1,191	132	1,184	10	900
45-49.....	959	1,160	705	1,152	129	1,204	20	1,185	37	1,184	2	791
50-54.....	191	1,125	163	1,114	23	1,205	2	1,200	2	1,200	1	1,035
55-59.....	20	1,042	20	1,042	0		0		0		0	
60-64.....	1	1,143	1	1,143	0		0		0		0	
Average service.....	27.8		28.2		34.2		32.0		21.8		22.2	
Women annuitants												
Total.....	7,030	\$772	2,421	\$770	307	\$1,178	515	\$1,149	3,420	\$600	307	\$450
5-9.....	323	268							323	268		
10-14.....	698	467							698	467		
15-19.....	1,075	593	778	573					1,037	643	166	372
20-24.....	1,169	737	613	715					582	791	74	457
25-29.....	770	880	414	848					323	670	42	622
30-34.....	1,100	1,008	204	978	182	1,171	321	1,147	283	1,142	16	664
35-39.....	536	1,095	101	1,010	90	1,176	139	1,142	104	1,150	12	689
40-44.....	278	1,110	118	1,048	60	1,101	40	1,175	45	1,162	3	577
45-49.....	138	1,111	87	1,068	22	1,100	0	1,184	10	1,193	1	732
50-54.....	29	1,063	21	1,010	7	1,205	0		1	1,200	0	
55-59.....	5	772	5	772	0		0		0		0	
Average service.....	23.4		25.5		36.0		34.2		19.1		20.0	

¹ Within 2 years of retirement age.

² Regardless of age; effective 1933-35 only.

³ After 15 years or more of service and at least 45 years of age.

Source: U. S. Civil Service Commission, *Retirement Report*, fiscal year ended June 30, 1940.

covered by the Civil Service Retirement Act.

In its annual report for the fiscal year ended June 30, 1940, the Civil Service Commission stated, "The most important recommendation heretofore made by the Commission is that for a uniform compulsory retirement age of 70 after 15 years' service and a uniform optional retirement age of 60 after 30 years' service or 62 after 15 years' service. The optional provision should be available to the Government as well as to the employee." Similar proposals, but with optional retirement "standardized at age 60 after 15 or more years of service," were made by a subcommittee of the President's Committee on Civil Service Improvement in its report of February 1941, with endorsement by the Committee, which urged favorable consideration by the Congress.

The subcommittee called attention to the "importance of the provision of a retirement system which will have the effect of assisting to retain in the service of the Government able professional men, scientists, and administrators, and which will at the same time make certain their retirement when they have passed the height of their powers." Such a provision would offset to some extent the present weighting of the benefit formula in favor of the lower-paid worker. The subcommittee points out that the proportion of final pay allowable as an annuity under the present retirement act to annuitants whose rate of remuneration is more than \$2,400 at the time of retirement varies from 18 to 25 percent. Believing "that this proportion is not in accordance with the in-

terest of the public service in attracting and holding the high quality of professional, scientific, and administrative employees needed in the Government service," the subcommittee recommended that an annuity to an employee with 40 years of service should be not less than half the highest average salary for any 5 consecutive years, with a proportional minimum allowance for employees having less than 40 years of service. It recommended also that disability annuities be liberalized by the allowance of 10 years' service credit for all employees retired for disability with 5 to 10 years of service. To finance these additional benefits it was recommended that the employee contribution rate of 3½ percent be increased to 4½ percent, with a further increase for employees earning more than \$3,120 per year.

In the first 2 months of the 77th Congress, 1941, 13 bills to amend the Civil Service Retirement Act were introduced. Of these, 5 proposed reducing, and in general standardizing, the retirement age. Others proposed extending coverage to groups which are now excluded; providing survivors' benefits for widows of employees and of annuitants; permitting employees who are separated from the service 5 years before becoming eligible for retirement to retain their retirement rights by continuing to make contributions until they are eligible for an annuity; providing deferred annuities for persons separated from the service after 5 years' employment; and liberalizing the law in other ways, with or without a corresponding increase in employee contributions.