

be paid for by partial-pay formulas is also a major factor

Since insurance programs are generally designed to compensate for only part of a worker's lost income, they provide a somewhat different type of protection than do full-pay sick-leave plans. The ratio of sick-leave benefits to associated income loss was 75 percent in 1975, at the other end of the range, the income-replacement rate for group benefits under voluntary auspices (heavily weighted by insurance plans) was less than 24 percent. It should be borne in mind, however, that insurance plans compensate for this relatively low average rate of income replacement by their potential benefit duration of many weeks (most often 26)

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## Federal Civil Service and Military Retirement Programs Legislation, 94th Congress\*

Public Law 94-440 (approved October 1, 1976) makes a major change in the method of computing cost-of-living increases for Federal civilian and military retired personnel and their survivors. Under previous law, benefits were increased whenever the Consumer Price Index (CPI) of the Bureau of Labor Statistics rose 3 percent above the price level of the base month in each of 3 consecutive months. The amount of the increase was based on the percentage rise in the CPI in the highest of the 3 months, rounded to the nearest tenth. Another 1 percent was added to the increase based on the CPI rise.

The higher benefit amount was effective for the first day of the third month following the 3-month period, for those on the rolls by that date, and was reflected in checks issued at the beginning of the month following the effective date. A total of 5 months thus elapsed between the initial month in which the CPI rose by 3 percent over the previous month and the month in which the cost-of-living adjustment was reflected in the annuity checks.

The 1-percent increment had been introduced

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in 1969, partly to compensate for the loss of purchasing power during this 5-month period. Another purpose for the increment was to permit annuitants to share in the increased productivity of the economy, as measured by increased real income reflected in higher money earnings.

Public Law 94-440 eliminates the 1-percent increment, replacing it with automatic cost-of-living adjustments scheduled twice a year, March 1 and September 1. Each adjustment is reflected in checks issued the following month. A benefit increase will take place whenever any rise (adjusted to the nearest 1/10 of 1 percent) occurs in the CPI during the previous 6-month period, measured for the March 1 adjustment from June to December and for the September 1 adjustment from December to June. The increases thus will no longer depend on a rise of 3 percent or more in the CPI. For the first adjustment—March 1, 1977—the increase was based on the percentage change in the CPI from the time of the last adjustment (December 1975) under the old law to December 1976.

Two other laws passed earlier by the 94th Congress affect the civil service retirement program: (1) P.L. 94-183 (signed December 31, 1975) established a statute of limitation for filing an application for Federal civil service retirement benefits, (2) P.L. 94-166 (signed December 23, 1975) permits annuitants to make allotments or assignments from their annuity checks for purposes considered appropriate by the Civil Service Commission.

Public Law 94-183 permits the Civil Service Commission to destroy old individual retirement records on which no claim has been filed within a given period. No benefits will be paid from the civil service retirement and disability fund unless a claim is filed by an employee's 115th birthday or within 30 years of the death of an employee or annuitant. Previously, benefits to a former employee or survivor were due in perpetuity and, if benefits were unclaimed, the Civil Service Commission had to keep the records forever.

Public Law 94-166 permits Federal civil service annuitants to make allotments or assignments from their annuity checks, comparable with those allowed Federal employees in active service. Previously, only Federal employees could request deductions from their pay checks for such pur-

poses as charitable contributions, dues to employee associations, family support, and savings. The Civil Service Commission may designate for what purposes such allotments may be made for annuitants.

A change in a related law (P L 94-342, approved July 6, 1976) permits a deceased Federal employee's surviving spouse whose annuity was terminated because of remarriage and whose annuity is subsequently restored to be reinsured under the Federal employees health benefits program. Since 1966, survivors whose civil service annuities were terminated because of remarriage before age 60 have been allowed to have their annuities restored upon termination of the remarriage by death, annulment, or divorce.

Public Law 94-496, approved on October 14, 1976, extends to the military survivor benefit program certain changes that were adopted in 1974 by the civil service survivor program. The military plan was originally modeled on the civil service program.

Retirees who accepted reduced military retirement pay to establish protection through an annuity for a surviving spouse are affected by one change in this law. The reduction will be eliminated for months in which the retiree is not married—because of divorce or the spouse's death. The retirement benefit will be recomputed and paid as if it had not been reduced. Until enactment of this law, the retiree's election at the time of retirement was irrevocable and a reduction

continued whether the retiree or spouse died first.

Another conforming provision reduces from 2 years to 1 year the length-of-marriage requirement for a new spouse of a retiree to be eligible for a survivor annuity under the military survivor benefit program. This provision applies to marriages after retirement (A spouse to whom a member was married at time of retirement or a spouse who is the parent of a child of that marriage is eligible for a survivor annuity regardless of the duration of the marriage relationship.)

Public Law 94-496 also grants an increase in the minimum income guaranteed certain widows for whom the military survivor benefit program began too late. The survivor benefit plan<sup>1</sup> established in 1972 provided that a spouse widowed before September 21, 1973, and not covered by any military survivor benefit plan would be granted a supplemental amount from the Department of Defense to bring his or her income up to a level of \$1,400 per year. The new law increases this amount to \$2,100 per year which, when added to the Veterans Administration income-tested pension, would bring the minimum guaranteed amount to about \$2,700 annually.

This law also allows a retiree to arrange for an annuity to be paid to a dependent child only. This arrangement may be made even when there is an eligible spouse.

<sup>1</sup> See Office of Research and Statistics, *New Survivor Plan for Military Retirees* (Research and Statistics Note No. 26), 1972.