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THE OBJECTIVES OF A RETIREMENT SYSTEM

HIGHLIGHTS

The following list enumerates the objectives of retirement systems which are mentioned in the 32 excerpts which make up this report. Each of the following objectives has listed immediately thereafter the number in parenthesis of the excerpt in which this objective is mentioned.

1. For the employee
 - A. Attract high grade personnel to enter and make such service a life career (12)
 - B. Encourage employees to remain in the service (6) (26)
 - C. Permit the employee to leave the service before he becomes inefficient because of old age and disability (7)
 - D. Relieve the employee of anxiety about the future (7)
 - E. Retire ill and superannuated persons in order that their position may be filled with young, virile persons (9) (12) (30)
 - F. Permit employee to enjoy remaining years at leisure (14) (17)
 - G. Permit promotion for those in ranks in order to maintain morale (15) (24) (26) (30)
 - H. Reward service (16) (17) (24) (25)
2. For employer
 - A. Promote economy and efficiency in service (1) (2) (8) (18) (20) (21) (25) (26)
 - B. Stabilize employment (2) (26) (30)
 - C. Reduce excessive personnel turnover (2) (30)
 - D. Attract able personnel (26) (31)
3. Financial objectives
 - A. Provide half pay to employee who spends substantially all his working life in the service (3) (5) (6) (22) (23)
 - B. Defer part of compensation until a later date (16) (19) (30)
 - C. Provide tax relief for employer (30)
 - D. Reduce the relief load (30)
4. For the public
 - A. Enable employees to provide for themselves and their dependents in case of old age, disability or death (1) (2) (13) (16) (24) (25) (27) (28) (29) (32)
 - B. Provide an orderly means of retirement without hardship or prejudice (1) (2) (4)
 - C. Provide better services to the public by retiring the aged employees (7)

THE OBJECTIVES OF A RETIREMENT SYSTEM

The growing interest in retirement systems which has developed in recent years, the changing scope of the systems and the continuing urge to expand both the coverage and the benefits raises the question of what was the original purpose of a retirement system, what is the apparent purpose today and what should be the purpose.

The establishment of the objectives of a retirement system is a policy determination. There may, however, be substantial difference between a policy enunciated early in the development of retirement systems and current practice. It is the purpose of this report to bring together somewhat more than a score of statements regarding the objectives of retirement and pension systems in order to aid those interested in the evaluation of current policy to get a thumbnail sketch of some of the thinking. The following excerpts, taken from a variety of sources may be representative of the thinking but do not purport to be an exhaustive list. The tremendous amount of printed material now being published in the general field of retirement precludes an exhaustive study at this time. In order that readers may study the following excerpts in their text, the source of each quotation is given immediately after the quotation.

- (1) "The purpose of this fund is to provide for the payment of annuities and other benefits to employees and to beneficiaries of employees of the state of Wisconsin and municipalities in the state, thereby enabling such employees to provide for themselves and their dependents in case of old age, disability and death, and thereby effecting economy and efficiency in the public service by furnishing an orderly means whereby employees who become aged or otherwise incapacitated may, without hardship or prejudice, be retired from active service." (Wisconsin Statutes, 1951, section 66.90 (1) adopted first by Chapter 175, Laws of 1943)
- (2) "The legislature declares that the purpose of the state employes' retirement system, in the furtherance of which sections 42.60 to 42.70 are enacted, is to promote efficiency and economy in the state service by providing an orderly means for the retirement of employes who become aged or totally and permanently disabled. In the absence of retirement benefits for public employes under the old-age and survivors insurance title of the federal social security act, the legislature declares that it is in the public interest for the state to establish a retirement system for state employes which will provide for the payment of annuities to state employes or to their beneficiaries thereby enabling employes to care for themselves and their dependents in old age, disability, or death, and which by its provisions will stabilize state employment, reduce excessive personnel turnover, and offer suitable attraction to high grade men and women to enter state service and make such service a life career." (Section 42.60, created by Chapter 176, Laws of 1943)

- (3) "The underlying theory of the system is that the employing governmental unit should be made responsible for financing their share of an annuity of approximately 50% of pay only if the employe has spent substantially all of his working life in the service of the governmental unit. Hence an employe may work from age 20 to 45 in private employment and build up an accumulation under the social security act. If he works for a participating governmental unit from age 45 to 65 he will then earn a certain annuity under this system which when added to the annuity payable under social security, will provide a reasonably adequate retirement allowance." (Wisconsin Retirement Fund, Handbook of Information, 1948, p. 27)
- (4) The purpose of the law is, "To effect economy and efficiency in the public service by providing a means whereby employees who become superannuated or otherwise incapacitated may, without hardship or prejudice, be replaced by more capable employees, and to that end, providing a retirement system, consisting of retirement compensation and death benefits."
(Montana Public Employees Retirement System, Information Relating to the Public Employees Retirement System, Nov. 1947, p. 5)
- (5) "The objective of this act shall be to provide each employee who is a member of the system, with the years of service or attained age hereinafter specified, a disability allowance of the amount hereinafter provided for and a total service retirement allowance of one-half his average salary for the five consecutive highest salaried years of his last ten years of service; provided, that no sum in excess of \$400 in any one calendar month or \$4,800 in any one calendar year shall be used in calculating the said average salary; provided further, that the said allowance shall be paid only to members receiving initial payments after July 1, 1951, and that allowances granted prior to such date shall remain unchanged. This objective shall be deemed applicable to police officers and firemen with 20 or more continuous years of credit in the system and who have reached the age of 55 years, and to other employees with 20 or more continuous years of credit in the system and who have reached the age of 60 years. The monthly service retirement allowance shall not exceed two hundred dollars (\$200)."
(Nevada Public Employees Retirement Board, General Information Concerning the Public Employees Retirement System, 1951, pp. 27-28)
- (6) "The state plan also attempted to encourage workers to remain in state and local service. In part, it was planned to reward the faithful worker who had devoted most of his life to that service, by guaranteeing him retirement at half of his final pay if he had served 35 years or more, with smaller benefits in proportion to shorter service..." (Kansas Legislative Council, Retirement and Insurance Planning for State and Local Government Employees, 1950, p. 17)

(7) "Why a Retirement System?"

Everyone is becoming more and more aware of the necessity of adequate retirement provisions for older workers. In fact, the individual not in some retirement system has become the exception rather than the rule.

For teachers a satisfactory retirement system is especially necessary, since the retirement of aged teachers is essential if the boys and girls in school are to have the best possible educational program. A sound retirement system permits the teacher to leave the educational ranks before he becomes inefficient because of old age and disability. It also helps to relieve teachers during service of anxiety about their future, when they will no longer be able to work. Everyone recognizes that a worried teacher is a poor teacher. A sound retirement system for teachers is good insurance for a better educated America. These facts can leave no doubt that a sound retirement system is in the public interest." (Wisconsin Education Association and State Retirement System Administration Board, The State Retirement System, Jan. 1952, p. 3)

(8) "...In considering the numerous proposals which were submitted, the committee endeavored to adhere to the broad policies established by the 1947 legislature following the detailed study and report thereto made by the Joint Legislative Interim Committee on Pension and Retirement Plans. Among the principles which guided the Joint Survey Committee in formulating this report were:

1. A retirement system for public employes must be actuarially sound. While the heavy costs of prior service credits represent a financial burden that must be assumed by future taxpayers, it is unreasonable to shift any part of current retirement costs to future taxpayers.

2. A retirement system for public employes cannot be justified as a charitable "handout" to needy individuals, but rather is a device to insure the more effective operation of public services as part of a modern personnel policy. This involves attracting into the public service, and retaining therein, employes with the requisite qualifications, and also providing for their orderly retirement at a time when they can no longer perform their regular duties satisfactorily. To introduce the element of charity results in discrimination in favor of persons on the public payroll against private citizens in similar circumstances.

3. A retirement system for public employes should not, in any measure, be a substitute for an adequate salary scale. It is undesirable to attempt to provide salary adjustments for any class of employe through a retirement system.

4. There should be equality of treatment for the various employes of a governmental unit, and except for considerations directly attributable to the nature of the employment, preferential retirement provisions should not prevail for particular groups of public employes.

5. The coverage of a retirement system for public employes should include a sufficient number of employes to permit sound actuarial principles to operate.

6. Where the public contributes a substantial share of the cost of operating a retirement system, the majority control of that system should be vested in representatives of the public.

7. There is no justification for a multiplicity of retirement systems for public employes in Wisconsin. The policy adopted by the 1947 legislature of integrating and consolidating such retirement systems should be maintained.

In passing upon the proposals submitted by persons appearing before the committee, the fact was kept in mind that the state has pursued a very generous policy with respect to making provision for the retirement of public employes, and that due consideration to the strain upon taxpayers makes it impossible to continue the liberalization of retirement systems indefinitely. Such systems must not be permitted to go too far out of line with what taxpayers can afford to provide for themselves..." (Wisconsin Joint Survey Committee on Retirement Systems, Report, Sen. Jour. Feb. 16, 1949, pp. 224-226)

(9) "It must be admitted that a disturbing problem exists in the judiciary system of this state. There are several circuit judges whose failing health has not permitted them to discharge their share of judicial duties. There have been many cases in which these judges have been re-elected out of recognition for their past services. It is openly urged that a retirement system would provide the incentive which would induce the judges who are superannuated and in failing health to retire, so that their offices might be filled with younger and more virile persons who would be capable of discharging the duties of the office so that the judicial work could be more evenly distributed among all of the judges. In all probability, this bill would produce a part of the desired effect." (Wisconsin Joint Survey Committee on Retirement Systems, Reports, 1951, p. 81)

(10) "The Wisconsin Retirement Fund is not operated on a money-making basis. It is intended to provide the maximum amount of benefit for the contributions which are made to the fund. After the cost of administration has been paid and a reasonable contingent reserve established, all income is used to pay benefits. It is the belief of this committee that while a county might obtain benefits from a private insurance company which are different than those provided under the Wisconsin Retirement Fund, it would cost more if the benefits provided by the Wisconsin Retirement Fund were to be purchased under a contract with a private insurance company, which operates for profit.

The Wisconsin Library Association made a comparative study of the American Library Association retirement plan and the Wisconsin Retirement Fund, which was formerly known as the Wisconsin Municipal Retirement Fund. A report on this comparative study appears in the January 1946 Wisconsin Library Bulletin.

Our conclusion, that for the same amount of money greater benefits can be obtained under the Wisconsin Retirement Fund than under a contract with a private insurance company, is supported by this study." (Same, p. 90)

- (11) "When state employes and certain firemen and policemen were placed under the Wisconsin Retirement Fund on January 1, 1948, the 7% contribution plan was made applicable to game wardens, policemen and firemen upon the theory that the nature of their work was such that they were compelled to retire at an earlier age than most employes. The 7% contribution of the employe, which is matched by the employer, results in a larger accumulation and permits retirement at a younger age. It is contended that conservation wardens, policemen and firemen must retire at younger ages because of the extreme exertion which is required of them frequently." (Same, p. 139)
- (12) "We all know that this question of compulsory retirement is one that has, as the sociologists would say, many 'cultural compulsives' in it; that is to say, we change our ideas on this as we change our political viewpoints and as we change the complexion of our population. A number of years ago when we were interested in seeing the Social Security Act established we were primarily concerned with forcing the older worker out and making way for the younger worker. You know better than I do that today we are concerned with utilizing all of our manpower to see to it that a free enterprise economy can live in this world of ours in brutal competition with a different type of economy..." (Wisconsin University Industrial Relations Center, Proceedings of a Conference on Problems of Older Workers, 1951, p. 88)
- (13) "...Up until the 1930's most labor unions were interested in retirement only as a matter of disability and from the point of view of the lack of economic resources. The efforts which were made by the unions prior to 1930 were largely directed to providing some type of benefit for those who were disabled and couldn't carry on their regular jobs or who were in need of resources after they left work..." (Same, p. 90)
- (14) "Now perhaps as a result of advertising by insurance companies and to some extent as a consequence of company and union education, we are now beginning to think of retirement as perhaps something desirable in and of itself provided there is an adequate income. There is a thought now that perhaps a man ought not to have to work until the end of his days, that there should be some time--60, 65, 70--when he can retire, still an able-bodied individual and enjoy the remaining years of his life at his leisure..." (Same, p. 91)
- (15) "...Just about three weeks ago it was proposed in the New York City Council that policemen in New York City who do not now have a compulsory retirement system be required to retire at 63. The reason given for that age was that it was necessary to provide promotional opportunities for those in the ranks in order to maintain the morale..." (Same, p. 93)

- (16) "Now what is the purpose of retirement? I think when we get to that issue we get a confused pattern which probably beclouds our whole thinking. Do we think of retirement on a pension as a reward for services rendered? Do we think of it as an incentive to production of those who are now employed? As part of compensation deferred until a later date? Or do we think of retirement on a pension as merely an expedient way of taking care of people who are likely to be dependent at the age of 65? ...or do we think of a pension as being something that encourages people during the course of their working life to exert greater effort, to establish a greater loyalty to a company, to be more concerned with the efficiency of their own job and their own company, or do we think of it as purely a means whereby on a statistical basis we say that there is a certain proportion of the population which at 65 will be dependent and inefficient and as an expedient way of handling this problem establish a pension program for everybody without the necessity of picking and choosing as to who is to receive the pension. ..." (Same, pp. 95-96)
- (17) "...Retirement is something earned by faithful service, a form of graduation into a new phase of life rather than a casting-out process. Retirement should be the opportunity for the employee to enjoy the fruits of his labor in freedom, leisure, relaxation as well as an opportunity to serve himself, his family, and his community in ways not open to him during his working career."... (Same, p. 97)
- (18) "For many years, Management has been faced with the problem of the employee who after long service has reached an age or physical condition that will not permit him to perform his job fully or efficiently. Aside from humanitarian considerations, every business man knows that to ignore the problem can be expensive. Without some pensioning procedure in industry, the tendency is to allow the employee to continue on the job with resultant loss in efficiency, added burdens on the other employees, hazards to safety and delay in making desirable promotions." (Arizona University Bureau of Business Research, Retirement and Disability in the U.S., 1951, p. 6)
- (19) "Consistent with the above conception, retirement allowances are now looked upon, not as acts of charity which stem from the generous and humanitarian motives of an enlightened employer, but as a deferred wage to which the employee has a definite right. Indeed, the voters of New York State went so far as to pass a constitutional amendment, declaring that 'membership in any pension or retirement system of the state or of a civil division thereof shall be a contractual relationship, the benefits of which shall not be diminished or impaired.'" (Mosher, Wm. E. and others, Public Personnel Administration, 3rd ed. 1950, p. 512)
- (20) "There is one primary object sought by the governmental unit when it adopts a retirement system; namely, the improvement of its staff. All other objectives are subordinate, but not unrelated, to this. A proper retirement system is of value in improving the staff, first because it facilitates the

elimination of the superannuated and disabled. Department heads hesitate to remove them when such removal means that they are to be left without visible means of support.

Secondly, the losses from superannuation are not confined to the retention of inefficient employees in the service. Rather, they spread throughout the whole system and are reflected in lowered morale and general inefficiency. The fact that a man may be kept at his desk until he dies means less opportunity for advancement. This in turn makes it more difficult to attract desirable men to the service. Consequently, a proper retirement plan not only results in the elimination of many inefficient employees, but tends also to bring about the improvement of the morale of the whole force and to facilitate the process of recruitment." (Same, pp. 516-517)

(21) "The primary justification for the expenditure of money by a government, a university, a church, or a corporation in the inauguration and maintenance of a system of retirement lies in the advancement of the true interests of the service for which the government, the university, the church, or the corporation exists. If that service is not to be bettered by such a retirement plan, those responsible for the conduct of the institution, whatever it may be, cannot justify the expenditure of funds for a retirement system." (Pritchett, Henry S., The Social Philosophy of Pensions, Carnegie Foundation for the Advancement of Teaching, 1930, p. 8, Bulletin 25)

(22) "Experience has shown that unless the retired pay is a reasonable proportion of the active pay at the time of retirement, the members of the group who share in the annuity system will, in time, become discontented under its operation. It is generally agreed that the working of an adequate system should provide, for the typical individual who enters the group, a retired pay of from fifty to seventy per cent of the active pay at the time of retirement. To provide a gratuity of \$50 a month to a retired teacher or minister may be a welcome addition to a meagre income, but it bears no reasonable relation to his needs. Such a system ultimately breaks down through its inadequacy.

No machinery for conducting a system of retired pay can be devised, nor can any scale of pay for teachers, ministers, or government officials be attained, that will work without the exercise of reasonable foresight and self-denial on the part of the individual participants. ..." (Same, p. 11)

(23) "A private pension plan is a formal system under which an employer commits himself in advance to pay a determinable sum at regular intervals for the entire remaining life of employees who leave the company at a pre-determined age or within a certain age range and who meet certain other definite standards. It involves anticipation of the cost of such payments, a formal provision to meet that cost, and sound adjustment of that cost to the economic structure and fortunes of the company. ..." (National Assn. of Manufacturers, Industrial Relations Division, Management Faces the Pension Problem, Econ. Policy Div. Ser. No. 32, Oct. 1950, p. 3)

- (24) "Along with the demands for greater security have come new questions regarding the mounting costs of old age insurance, public assistance, and private pension plans, and regarding the attitude of the aged towards retirement. These various problems have been discussed in local, national, and international meetings. Hundreds of articles and many books have been written on these matters in recent years. Social workers, sociologists, economists, psychologists, the medical profession, business and trade union leaders, and government specialists all have contributed ideas and suggestions.

The major part of this great mass of literature has developed certain predominant assumptions, many of which are related to industrial pension planning. Some of these most commonly held assumptions are:

1. The aging employee has the right to expect an annuity sufficient to maintain himself and his wife in circumstances somewhat comparable to those he has been used to during his working life.
2. Senescence (the state of growing old) is an individual matter and retirement should be based on individual ability rather than on an arbitrary age.
3. The cost of annuities for an aging population as well as the psychological, social, and economic needs of the individual indicate the desirability of the employment of competent older workers as long as they are able and willing to work.
4. In the current period of partial mobilization and full employment, the national economy needs the services of these older workers.
5. When the individual can no longer make a worthwhile contribution as an employee, his employer and society should help him adjust to the changes involved in retirement.

These assumptions, it appears, are based primarily on consideration for the individual and for the national economic good. They not only give comparatively less weight to company aims in pension planning, but in some instances are directly contrary to the purpose of industrial pensions.

Most company annuity plans have been based on a compromise between the individual's goals and needs and company objectives. They offer the employee a degree of security in his old age, partly as a reward for continued satisfactory service over a long period of time and partly to make sure that he will be ready to relinquish his job to a younger man when his efficiency declines. An annuity is both a reward for long service and a purchase of accumulated seniority rights. If management cannot buy off seniority rights at its discretion or at a specified age, then, in the opinion of many executives, much of the value of the pension plan to the well-being of the corporation may be lost." (Baker, Helen, Retirement Procedures under Compulsory and Flexible Retirement Policies, Princeton Univ. Industrial Relations Section, Research Report Ser. No. 86, 1952, pp. 7-8)

(25) "Another reason accounting for increased pension legislation and demands for such legislation has been a shift during recent years in the basic concept of the purpose of pension legislation. Early pension statutes reflect prominently a 'reward-for-service' aspect in which pension payments were looked upon mainly as a supplementary compensation for employees who had spent many years in the service of the government. Pensions were designed also in some cases to permit the removal from the public service of superannuated employees whose efficiency had become impaired by age. Eligibility for payments and the amount of pension payments were made to depend very largely upon the length of service of the retired employee, often without sufficient regard to age, number of dependents, and other factors affecting the need for retirement benefits. Today increased emphasis has been placed upon the 'security' aspect of pensions, by which weight is given to considerations involving the number of dependents and the extent of disability, as well as to the factors of age and length of service. The new emphasis upon the security aspect of pensions is brought about largely by the claimed responsibility of the state and local governments to provide for their employees some measure of the old-age security which the national government has guaranteed to its employees and to the employees of private business." (Illinois Legislative Council, Factors Involved in Pension Legislation for Governmental Employees in Illinois, 1940, p. 1)

(26) "The Objects Sought by the Government

The objects which the government seeks to attain through the establishment of a retirement system may be briefly enumerated as follows: (1) the elimination from its active force of those who have lost their efficiency because of advancing age or long service; (2) the elimination of those who have lost their efficiency in earlier life because of accident or disease; (3) the improvement of the morale of the remainder; (4) the retention in the service of the best of its present employees, many of whom in the absence of such a system resign to accept positions elsewhere; and (5) the attraction to the service of a higher grade of men. These objects, which are closely inter-related and may properly be included under the one head, the improvement of the personnel, require separate consideration." (Meriam, Lewis, Principles Governing the Retirement of Public Employees, 1918, p. 3)

(27) "The argument is often advanced that it should not be necessary for the public to pay a pension to such persons--they should be able to save enough from their earnings to provide themselves with a competence in their old age. While this may theoretically be true, it is practically impossible. Public employees do not as a rule earn enough money to enable them to live normal and useful lives, raise a family, and also save enough money for retirement. Many large industries have recognized this situation among their own employees and have provided retirement schemes. Under the national Social Security Act such schemes for private employment are encouraged, but no provision is made for pensions to public employees." (Walker, Harvey, Public Administration in the U.S., 1937, pp. 164-165)

- (28) "Ordinarily, we are prone to think of the needs of retirees as being fewer than those of younger years who have financial and family responsibilities. It should be borne in mind, however, that annuitants are more susceptible to prolonged and serious illness than younger persons and are hence more likely to incur larger individual medical, hospital, and surgical expenses. A momentary glance at the amounts received by those retiring after 30 years Federal service at age 60 reveals that in 1950 the largest number of retirees in this group received approximately \$1,200 per annum. By 1949 under Public Law 426, Seventy-ninth Congress, the annuity had increased by various legislative enactments to \$1,957. This represented an increase of approximately 63 percent. Yet by January of this year, living expenses were at a rate approximately 81 percent above the 1940 figure. This means only one thing. Federal civil-service annuitants simply are unable to support themselves properly with the present purchasing power of the dollars they receive. The proposal included in section 15 of S. 995, therefore, presents the minimum required by these devoted former employees simply to meet yesterday's and today's skyrocketing prices.

Since the survivors of deceased annuitants are in no case permitted to receive more than 50 percent of the annuity obtained by the annuitant while on retirement, it is obvious that such survivors, widows for the most part, are in an even more disadvantageous position than the annuitants. It is difficult to understand how these persons can continue to exist without supplementing their income from outside sources at a time when they are actually entitled to enjoy the fruits of their own and their spouse's labors." (From Statement of C. I. Stengle, Leg. Rep., Amer. Fed. of Govt. Employees Hearings Before a Subcommittee of the Committee on Post Office and Civil Service, U. S. Senate, 81st Cong., 1st and 2nd sessions, on S. 995 and S. 2968, 1952, pp. 32-33)

- (29) "There is no set of people in any economy so unfortunate and so adversely affected in periods of inflation as those persons whose chief livelihood is dependent upon annuities and pensions. Their income is rigid and inexorable, while the rising prices of the articles and commodities they require for necessitous living constantly increase and relentlessly chisel down the value of their dollar and their standard of living. When they retired they felt they had adequate security to see them through the last years of their lives. The decrease in the purchasing power of their annuity dollar has brought to many of them reduced living standards, hardship, discouragement, and fear of the future.

The average age of employee annuitants on June 30, 1950, was 67 years. A very large proportion of these are of greatly advanced years or were retired for physical disability. Annuitants have little or no earning power. The added expense of care of the aged and disabled--the frequent illnesses, hospitalization, doctors' bills, medicines, and dietary requirements make serious drains on incomes that otherwise are inadequate for the necessities of life. Very few have had

opportunity on a lifetime of low Government salary to accumulate private income, and most are dependent solely on their annuities for a living." (From Statement of M. C. Sheild of Natl. Assn. of Retired Civil Employees, before same committee, p. 39)

(30) "The why of pensions

Some of the reasons for pensions seem to be at odds with some of the others. Part of the difference depends upon the angle from which the survey has been approached. This is pretty complete, but I have left out some.

- (a) To serve the employer: (i) Housecleaning device for superannuates; (ii) morale-increasing agency; (iii) attracts better employees; (iv) cuts turn-over (increasing pension costs); (v) reserve for employee depreciation--an accounting cost recognition; (vi) tax relief for the employer (wartime, particularly); (vii) year-by-year budgeting for unit of deferred wage.
- (b) To serve the employee: (i) Special reward for length of service; (ii) incentive to stay put; (iii) gratuity from employer; (iv) avoidance of relief or charity; (v) achievement reward--an 'Oscar'; (vi) correction of, or apology for, low cash wages; (vii) tax relief for employees; (viii) fringe wages, deferred wage; (ix) employer subsidy to special form employee savings (when contributory); (x) special unemployment compensation (jobless insurance).
- (c) To serve the public: (i) Reduce relief requirement; (ii) maintain purchasing power; (iii) increase job permanence; (iv) hold down Federal expansion into more territory; (v) increase promotional opportunities; (vi) improve industrial relations.
- (d) Improve broad cooperation among citizens."
(From Pensions and Retirement Programs for Public Employees, paper by W. R. Williamson, the Wyatt Co., Washington, D.C., presented to Amer. Public Power Assn., 1948, and presented to the same committee, p. 118)

- (31) "Until recent years a high type of young men have been attracted to the Government service for the reason that employment governed by civil service afforded them greater security than was available when employed by private industries and the privilege of purchasing annuities was among the most attractive provisions of Government employment. However, during the past few years industrial workers have secured additional benefits to the extent that Government agencies can offer no greater, if as great, a degree of security as is afforded by private industries. Because of this condition Government agencies are no longer able to recruit the highest type of young men of the Nation. Amendments to the Civil Service Retirement Act as provided by S. 995 would offer far greater security and would definitely serve to restore the former and more desired conditions of employment."
(From Statement of W. M. Thomas, of Natl. Postal Transport Assn., before same committee, p. 146)

- (32) "The aim in establishing a civil retirement was to provide a reasonable sustenance for those employees, who had given long and faithful service to the Government, but who, because of advanced years, were no longer able to continue to render efficient service under the constantly increasing strenuous conditions. After retirement became law adjustments were soon made in the law to approximately meet the needs of those retired when a dollar was worth 100 cents in purchasing power and not the present 53-cent value. In recent years there have been some further adjustments but not near enough. Time was when a person could maintain a home, raise a family and even buy a little home on \$1,200 to \$1,500 per year, but not now.

The average annuity of those who retired prior to April 1, 1948, now is only \$1,035, while for those retiring since that date the figures are less than \$1,300. With the average cost of a family of two estimated to be from \$2,500 to \$3,000 per year it is evident that the present average retirement is far below the needs of the retired Government employee. The result is that many of the retired clerks have had to look for other ways of adding to their income to meet the increased cost of living, at a time of life when their physical stamina does not permit of continuing their former activities." (From Statement of V. L. Brown, of National Postal Transport Assn., before same committee, p. 149)