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THE WHITE HOUSE  
WASHINGTON

David Lissy made some changes  
on 1% package - OMB agreed to them. <sup>3/18</sup>

Now with Judy for incorporating into  
package - <sup>3/19</sup>

Check with Bob Linder is he retyping?

~~Signed and given  
to Bob Linder for  
delivery on 3/23/76~~

THE WHITE HOUSE  
WASHINGTON

Jim -

Jim Jura in OMB is calling constantly about the 1% Kicker --- he called this A.M. and I said I had a feeling that he would not get it for awhile -- but this was not official ----

He said if that is the case OMB would like to tell you why they think it should go.

Trudy 2/27/76  
10:45 A.M.

*To Jim Jura  
Put in writing + send  
encl x  
2/27/76*

FEB 26 1976  
noon

ACTION MEMORANDUM

Date: February 26, 1976

Time:

[filed 3/23/76]

FOR ACTION:

cc (for information):

Rogers C. B. Morton

FROM THE STAFF SECRETARY

DUE: Date: As soon as Possible

Time:

SUBJECT:

Message to the Congress on Repeal of the  
One Percent Add-on in Civilian and  
Military Retirement Programs

ACTION REQUESTED:

\_\_\_ For Necessary Action

X For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

X For Your Comments

\_\_\_ Draft Remarks

REMARKS:

We would like your comments on the attached  
message to Congress - including the appropriate  
timing of this message.

Please also discuss this matter with Stu Spencer  
and include his comments.

2/26/75

UNDER NO CIRCUMSTANCES SHOULD THIS GO FOR THE NEXT TWO WEEKS  
CALLAWAY AND SPENCER CONCUR

ROYSTON C. HUGHES

RCH

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a  
delay in submitting the required material, please  
telephone the Staff Secretary immediately.

James E. Connor  
For the President

THE WHITE HOUSE

ACTION

WASHINGTON

February 16, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

Message to the Congress on  
Repeal of the One Percent Add-on  
in Civilian and Military Retirement  
Programs

OMB has prepared for your consideration the attached message to the Congress urging the repeal of the one percent add-on feature of Federal employee annuity adjustments, pursuant to your 1977 budget recommendation.

The Civil Service Commission, the CIA and the Departments of State and Defense are prepared to submit legislation to repeal the one percent provision in their retirement systems as soon as the message has been transmitted.

OMB, Max Friedersdorf, Bill Seidman, CEA (Greenspan) Counsel's Office (Lazarus), NSC and I recommend approval of the proposed message which has been cleared by the White House Editorial Office.

RECOMMENDATION

That you sign both originals of the message at Tab A.

TO THE CONGRESS OF THE UNITED STATES:

My 1977 Budget recommends a program of tax reduction and spending restraint designed to reduce the growth of Government, help sustain our economic recovery, and give our citizens a greater say in managing their own affairs. It proposes changes in many programs in order to hold Federal spending below the levels that would otherwise occur in 1977 and in later years.

One of these changes, as indicated in the budget, is elimination of the provision in Federal civilian and military retirement systems which over-compensates retirees for cost-of-living adjustments. Since 1969, these retirees have been paid \$1.6 billion more than the amount needed to adjust their retirement pay for changes in the cost of living. Unless the law is changed, the taxpayer will be forced to shoulder an ever-larger burden to pay for benefit increases far exceeding real changes in the cost of living.

Under existing law, when annuities under the Civil Service, Foreign Service, Central Intelligence Agency, and military retirement systems are adjusted to reflect changes in the cost of living, an extra one percent is added automatically. Because the extra one percent has been compounded each time the system has been adjusted, retirement payments are running substantially ahead of the actual rise in the cost of living. This procedure threatens the financial integrity of the retirement systems.

Since the one percent add-on became a part of the law in 1969, Government retirement annuity adjustments have totaled 63 percent. Yet during this same period, the actual increase in the Consumer Price Index has totaled 50 percent. As a result, annuitants under these retirement systems received \$1.6 billion more by the end of fiscal year 1975

than they would have if the adjustments had simply kept pace with the actual increases in the CPI. Furthermore, the liability for Federal personnel retirement increased \$11.2 billion in just six years because of the one percent add-on. Each future increase, under current law, will mean at least \$1.9 billion in added liability.

Federal retirement systems, even without the one percent add-on, are very generous. Few retired workers are as well protected from the ravages of inflation as retired Federal employees. The Federal systems' guarantee of automatic adjustments directly related to rises in the CPI is not widespread in the private sector. The Federal systems are unique, moreover, in providing one percent over and above the actual rise in the CPI. I know of no private employer or of any State or local governmental employer that grants a similar added benefit.

Accordingly, the Civil Service Commission, the Department of State, the Department of Defense and the Central Intelligence Agency are submitting bills to repeal the one percent add-on feature in the civilian and military retirement systems they administer.

I urge the Congress to consider these proposals and act on them promptly and favorably.

THE WHITE HOUSE,

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THE WHITE HOUSE  
WASHINGTON

Jim -

I spoke to Bob Linder on a deadline  
on this item

There is no specific time that it  
has to be done -- however, the  
President already mentioned doing  
it in the Budget -- and there has  
been press items on it.

Trudy 2/26/76



THE WHITE HOUSE

WASHINGTON

February 25, 1976

MEMORANDUM FOR: JIM CONNOR  
FROM: DICK CHENEY

Attached is the proposed message to the Congress repealing the one percent add-on feature of Federal employee annuity adjustments. I want you to take another look at this and touch base with Rog and Stu before sending it back to me.

In addition, I need to know whether or not there is a deadline and a reason to go immediately with this package.

Attachment



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

FEB 9 1976

To Bob Hampton  
2/11/76

MEMORANDUM FOR DICK CHENEY

FROM: James T. Lynn *LS/L*

SUBJECT: Message to Congress on repeal of the one percent add-on in civilian and military retirement programs

Pursuant to the President's 1977 Budget recommending repeal of the one percent add-on feature of Federal employee annuity adjustments, there is attached a draft Message to the Congress urging the repeal.

The Civil Service Commission, Central Intelligence Agency and the Departments of State and Defense are prepared to submit legislation to repeal the one percent provision in their retirement systems just as soon as the Message has been transmitted.

In order to insure that this proposal is given the proper send-off, we will arrange for Bob Hampton, CSC Chairman, to do a briefing in the White House press room.

Attachment

Draft for a  
Presidential Message to Congress on  
Federal Retirement Legislation

My 1977 Budget recommends a program of tax reduction and spending restraint designed to reduce the growth of Government, help sustain our economic recovery, and give our citizens a greater say in managing their own affairs. It proposes changes in many programs in order to hold Federal spending below the levels that would otherwise occur in 1977 and in later years.

One of these changes, as indicated in the budget, is elimination of the provision in Federal civilian and military retirement systems which over-compensates retirees for cost-of-living adjustments. Since 1969, these retirees have been paid \$1.6 billion more than the amount needed to adjust their retirement pay for changes in the cost of living. Unless the law is changed, the taxpayer will be forced to shoulder an ever-larger burden to pay for unjustified benefit increases far exceeding real changes in the cost of living.

Under existing law, when annuities under the Civil Service, Foreign Service, Central Intelligence Agency, and military retirement systems are adjusted to reflect changes in the cost of living, an extra one percent is added automatically. Because

the extra one percent has been compounded each time the system has been adjusted, retirement payments are running substantially ahead of the actual rise in the cost of living. This procedure threatens the financial integrity of the retirement systems.

Since the one percent add-on became a part of the law in 1969, Government retirement annuity adjustments have totaled 63 percent. Yet during this same period, the actual increase in the Consumer Price Index has totaled 50 percent. As a result, annuitants under these retirement systems received \$1.6 billion more by the end of fiscal year 1975 than they would have if the adjustments had simply kept pace with the actual increases in the CPI. Furthermore, the liability for Federal personnel retirement increased \$11.2 billion in just six years because of the one percent add-on. Each future increase, under current law, will mean at least \$1.9 billion in added liability.

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moreover, in providing one percent over and above the actual rise in the CPI. We know of no private employer or of any State or local governmental employer that grants a similar added benefit.

Accordingly, the Civil Service Commission, the Department of State, the Department of Defense and the Central Intelligence Agency are submitting bills to repeal the one percent add-on feature in the civilian and military retirement systems they administer.

I urge the Congress to consider these proposals and act on them promptly and favorably.