

FOR IMMEDIATE RELEASE

March 24, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

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 led to increases totaling 63 percent. Yet during this same period, the actual increase in the Consumer Price Index was 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 future Federal personnel retirement payments 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 for future payments.

Retired Federal employees deserve to be protected from the ravages of inflation. The Federal retirement system is a good one and its guarantee of automatic adjustments directly related to rises in the CPI is not widespread in the private sector. But the Federal systems are unique in providing one percent over and above the actual rise in the CPI. It is neither appropriate nor fiscally responsible for the Federal government to continue to provide such an added benefit.

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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.

GERALD R. FORD

THE WHITE HOUSE,
March 24, 1976

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