The original documents are located in Box 22, folder "Retirement Annuities for Government Employees" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

Post Office + Civil Service Cmte

A BILL

To limit cost-of-living adjustments of annuities under the Civil Service Retirement System for a specified period of time, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law, additional cost-of-living increases in annuities which otherwise may be authorized to be paid during the period from February 2, 1975 through June 30, 1976, under section 8340 of title 5, United States Code, shall not be paid either during or after such period, except that an annuity which has not otherwise been increased under section 8340 may be increased under such section by not to exceed a maximum of five percent.

Sec. 2. Determinations by the Civil Service Commission of the percent change in the price index and the effective dates of increases in annuities shall continue as prescribed under section 8340(b) of title 5, United States Code. The first increase under that section payable on or after July 1, 1976 will be computed on the basis of the price index for the base month for that increase, compared to the price index for the next preceding base month as determined by the Commission.

Sec. 3. No person shall be entitled to receive any amount of cost-of-living increase denied in whole or in part, nor to have any annuity recomputed to reflect any amount denied, pursuant to this Act.

EXPLANATION - CIVIL SERVICE RETIREMENT

The draft bill would provide a limit of 5% on automatic cost-of-living increases in civil service retirement annuities through June 30, 1976. The bill would not affect the 7.3% cost-of-living annuity increase which became effective January 1, 1975, and is payable starting February 1, 1975. However, annuitants who already received the 7.3% increase, and new retirees who may be entitled to benefit from such increase under the provisions of subparagraph (c)(1) of section 8340 of title 5, United States Code, would receive no further cost-of-living adjustments until after June 30, 1976. Similarly, child and survivor annuitants who receive that increase pursuant to subparagraphs (c)(2) and (3) of section 8340 would receive no additional cost-of-living adjustments until after June 30, 1976.

Subparagraph (c)(1) of section 8340 of title 5, United States Code, allows employees who retire after the effective date of a cost-of-living increase to compute their annuity as if they had retired prior to such date, if such computation is more advantageous than one based on the commencing date of their annuity. This "fall-back" comparison provision would not be affected by the draft bill. The result would be that employees who retired after January 1, 1975 and <u>before</u> the effective date of the next automatic cost-of-living increase occurring under section 8340 would be entitled to benefit from the 7.3% increase, assuming the fall-back computation produced a higher benefit. Otherwise such future retirees would be entitled to an increase, not to exceed 5%, on the effective date of such adjustment.

Employees retiring <u>after</u> the next increase would be entitled to that (maximum 5%) increase if the comparison were advantageous. If not, such new retirees would receive an increase of up to 5% on the effective date of any subsequent cost-of-living adjustment in the period covered by the bill.

The draft bill would make no change in the statutory method for determining the effective dates of cost-of-living adjustments under section 8340. Accordingly, adjustments after June 30, 1976 would be computed on the basis of the normal base months for such adjustments under section 8340. For example, if the price index for March 1976 should trigger a cost-of-living increase payable July 1, 1976 under section 8340, such increase would be allowed. The percentage would be determined by comparison of the March index to the price index for the next preceding base month under section 8340. Conversely, if the price index for February 1976 should trigger a cost-of-living increase payable June 1, 1976, such increase would not be allowed, except for 5% payable only to limted categories of annuitants as explained above. The February base index would be used to measure price index changes for the next cost-of-living increase.

No retroactive adjustments will be paid after the period covered by the bill to restore the amounts of annuity increases denied in whole or in part, nor will any annuity be recomputed to reflect any amount denied, under the bill.