

NOTIFICATION OF PROJECT APPROVAL

PROJECT: DTPILLAR		AREA	
ACTION		DIVISION	
	NEW PROJECT		
X	AMENDMENT NO. 2	IO	
	RENEWAL	BRANCH	
	TERMINATION	2	
	MEMO REQUEST	DESK	
		Asia	

AUTHORIZATION

APPROVING AUTHORITY <i>A/DCI - 23 May 1956</i>	AMOUNT None	FISCAL YEAR ----
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CONDITIONS OF APPROVAL

Approval of Amendment No. 2 to Project DTPILLAR constitutes approval in principle of a retirement annuity plan for DTPILLAR personnel.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE METHOD EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

PP/OPS/PP REF. NO. APR 2940	SIGNATURE <i>PP/Ops/PP [Signature]</i>	DATE <i>7/77</i>
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DISTRIBUTION

1	DD/P	1	SSA-DD/S	1	COVERT BUDGET BRANCH	1	AREA DIVISION CHIEF OF ADMIN.	1	PP/OPS/PR	2	PP/OPS/PP
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PRC No. DD/P-205-56

ER 8-3033

SUBJECT: Project DTPILLAR, Amendment No. 2

1. PURPOSE

To condition Asiatic public opinion in consonance with U.S. policy objectives.

2. BACKGROUND

a. Project DTPILLAR has been continuously operative since initial approval 7 February 1951. The FY 1956 operating level is approximately \$5,431,000 and the current FY 1957 operating budget is estimated at \$6,800,000.

b. The purpose of this amendment is to affect a minor revision of the personnel policy of the Proprietary Organization.

c. In order to continue to recruit and retain qualified personnel it is necessary to offer retirement annuity benefits comparable to those of the other overt organizations offering employment to this type of personnel.

d. It is proposed to implement a retirement annuity system as a permanent personnel policy which will increase the annual Agency overhead project cost by approximately \$45,000 to \$60,000 per year, starting in FY 1957.

3. PROPOSAL

It is proposed that Project DTPILLAR be authorized to implement a permanent "Retirement Annuity System" for regular employees of the cover organization at an estimated cost of from \$45,000 to \$60,000 per year, subject to availability of funds from within the allocation to the IO Division in FY 1957 and subsequent years.

4. ACTION

a. In the meeting of 11 April 1956, it was recognized that approval of this amendment would establish a precedent equally applicable to certain other KUBARK sponsored organizations, and that the application of this precedent to these operations would amount to a substantial item of additional expense in subsequent years. The aggregate cost can only be conjectured, at this time, to amount to possibly between \$600,000 and \$1,000,000 per year.

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b. It was agreed that the proposed annuity plan conformed with conservative standards of common practice for comparable conditions of overt employment, and that the absence of employee benefits of this type not only would aggravate personnel problems but would also weaken the cover of the organizations involved.

5. RECOMMENDATION

It is recommended that the Director of Central Intelligence approve Amendment No. 2 to Project DTPILLAR as guidance for policy to be reflected in the FY 1957 IOD Operational Program.

CONCUR:

SIGNED Richard Helms for Deputy Director (Plans)	----	<hr/> Inspector General
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SIGNED Robert Amory, Jr. Deputy Director (Intelligence)	----	<hr/> Chairman, PAC
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SIGNED H. Gates Lloyd A Deputy Director (Support)	18 May 56 ----	<hr/> Deputy Director, Central Intelligence
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APPROVED:

SIGNED Acting Director of Central Intelligence	C. P. CABELL <hr/>
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23 MAY 1956

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MEMORANDUM FOR: Project Review Committee

SUBJECT : Proposed Retirement Annuity Plan for
Project DTPILLAR

1. The attached memorandum of 3 April 1956, from Chief, IO Division to the Director of Central Intelligence via DEP/PRC appears to answer satisfactorily all of the questions deemed pertinent to the proper consideration by this office of the financial aspects of the proposed retirement annuity plan for Project DTPILLAR.

2. The Teachers' Insurance and Annuity Association, which will administer the plan, and its companion organization, College Retirement Equities Fund, are both considered to be very sound financially and should fully warrant the confidence of the cover company and its participating employees.

3. The plan is open to all employees, except staff agents, on a voluntary basis, who have (a) indefinite tenure with the cover company, (b) completed one year's satisfactory service, and (c) attained the age of 25. It is believed that such eligibility requirements will tend to eliminate so-called "non-career" employees from participation in the plan, and in turn will hold down the cost to the cover company.

4. It should be noted that upon termination of an employee with less than five years' service or less than \$1,000 in his contract, a participating employee not transferring to another TIAA organization may withdraw only his own contributions. The project is to receive a credit against future installments for the amount it has contributed under such an employee's annuity contract.

5. It is observed that provision will be made in the DTPILLAR contracts with TIAA for termination or modification of the retirement plan by DTPILLAR at any time. Such a provision should serve to relieve the Agency from future financial obligation to TIAA and employees participating in the plan.

6. The maximum cost for service benefits, based on the assumption that the 82 employees on duty now will elect to participate in the plan, would amount to \$50,652 a year. In addition, the maximum deposit to cover service benefits for prior service would amount to a total of \$10,493 for each of the first five years of the contract. Thus the maximum annual cost during the fiscal years 1957 through 1961 would be \$61,145, and in years subsequent to fiscal year 1961 it would be

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\$50,652. The estimated expected costs of the plan to DTPILLAR, however, based on normal turnover of personnel are as follows:

	<u>Expected Future Service Benefits</u>	<u>Expected Past Service Benefits</u>	<u>Total Expected Costs</u>
Fiscal Year 1957	\$46,400	\$9,654	\$56,054
Fiscal Year 1958	46,400	9,075	55,475
Fiscal Year 1959	46,400	8,712	55,112
Fiscal Year 1960	46,400	8,538	54,938
Fiscal Year 1961	46,400	8,453	54,853

The above costs are estimated on the basis of contributions to the plan by DTPILLAR of \$2.00 for each \$1.00 to be contributed by participating employees. Employee contributions will approximate 3% of the first \$350 of monthly earnings and 6% of monthly earnings in excess of \$350.

7. The cover company has submitted a proposed budget for FY 1957 to the IO Division for review. We understand that this budget proposes a substantial increase over the approved FY 1956 budget in order to provide for additional program operations, personnel, and the cost of the proposed retirement annuity plan. It would appear, therefore, that if the proposed retirement annuity plan is approved, Project DTPILLAR will not be in a position to absorb any of the cost of the plan out of funds currently budgeted for the project.

8. Since the proposal is a matter for policy consideration, it should be pointed out that if the retirement annuity plan is approved for Project DTPILLAR, such approval will be construed as a precedent by other proprietary projects in working out retirement plans for their employees. For example, [] has shown considerable interest in this proposal and has done some preliminary work with the view of establishing a pension plan for its employees. Although [] is currently the largest proprietary, we understand that a number of other projects may desire to propose pension plans for their employees. The total annual cost to the Agency for such pension plans can only be conjectured at the present time, but using a rough estimate of \$500,000 for Project TPTONIC it is conceivable that the annual cost to the Agency for all proprietary projects could total from \$600,000 to \$1,000,000 a year.

E. R. SAUNDERS
Comptroller

COPY

5 April 1956

MEMORANDUM FOR: Assistant Deputy Director (Support)

SUBJECT: DUPILLAR -- Proposed Retirement Annuity Plan

1. In a memorandum of 3 April 1956, to the DCI, the Chief, IO Division, proposed amending this project to provide a retirement annuity plan for employees of the corporation. This proposal has also been presented to SGA/DO/S, PP/OPS/PR in a memorandum of 4 April 1956 from PP/OPS/PP.

2. Only permanent employees of the cover corporation would be covered. Staff agents and staff employees of this Agency would not be covered even though serving with the cover corporation. Provision will be made in the contract with the insurance company handling the plan for termination or modification of the plan by DUPILLAR at any time.

3. From the standpoint of the Agency, the corporation's contribution to the fund on behalf of an employee is in the nature of additional compensation to him. Consequently there should be a provision covering this in the Agency contracts of witting personnel. A thorough examination of the plan must be made in order to determine its tax consequences.

4. In accordance with the above, it appears there is adequate legal basis for the establishment of this plan.

[/s/]
Assistant General Counsel

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PP STAFF COORDINATION

PROJECT: **DTPILLAR**

X	AMENDMENT NO. 2	DIVISION 10
	RENEWAL	BRANCH 2
	TERMINATION	DESK Far East

STAFF CONCURRENCE				MEMORANDUM ATTACHED		
ORGANIZATIONAL ELEMENT	SIGNATURE	COPY NO.	DATE	YES	NO	DATE
SEA-DD/S	<i>[Signature]</i>	2	6 Apr 56			
Covert Budget Branch		2				
PP/OPS/PR	<i>[Signature]</i>	3	4/3/56			
PP/OPS-Chief	<i>[Signature]</i>	1	APR 1956			

RECOMMEND APPROVAL

CPP	SIGNATURE SEE COPY APPROVAL FOR SIGNATURE	DATE APR 1956
A/DD/P/P	SIGNATURE SEE COPY APPROVAL ACTION FOR SIGNATURE	DATE

(This space reserved for comments of SSA-DD/S; CPP; A/DD/P/P.)

I favor this intiprincipal, but many questions are unanswered, particularly with respect to what happens if Pillar is terminated, and what will be effect on other similar ops, Tonic etc. - will need further study before funds are committed

S-E-C-R-E-T

3 APR 1956

MEMORANDUM FOR: Director of Central Intelligence

VIA: DDP/PRC

SUBJECT: Request for Amendment of Project DTPILLAR to
Authorize Adoption of a Retirement Annuity Plan
Amendment No. 2

1. REQUEST

It is requested that project DTPILLAR be amended by approval of the Retirement Annuity plan outlined herein. The project outline for DTPILLAR was last approved on 8 April 1955.

2. PURPOSE

Project DTPILLAR has been encountering increasing difficulty in recruiting and retaining qualified personnel at all levels. For administrative and clerical personnel, it must compete with business organizations which not only have retirement plans, but additional employee benefits more liberal than the Project's. In obtaining professional employees, considerable difficulty has been experienced in recruiting qualified persons on any but an interim basis from competing private institutions and foundations. To obtain personnel from universities on a leave-of-absence basis, the Project has had to insure the continued accrual of the individual's future annuity benefits by paying the universities' share of the contributions to the individual's retirement account. This has had an adverse affect on the morale of those permanent employees who have no retirement rights.

3. DESCRIPTION OF PLAN

The members of the DTPILLAR Executive Committee at the meeting held on 27 February 1956 recommended for Agency approval a retirement system developed after thorough investigation and review of various available plans with the assistance of the retirement plan expert of the Standard Oil Company of California and the Herman A. Zischke Organization, Inc., retirement consultants. The main features of the plan are:

A. Administration - The plan will be administered by the Teachers Insurance and Annuity Association of America (TIAA), a legal reserve life insurance company incorporated in the

State of New York in 1918. It was organized by the Carnegie Foundation for the Advancement of Teaching to serve the annuity and life insurance needs of the educational world. TIAA is non-profit, employs no agents, pays no commissions and the only use made of funds not needed for Company use and safety is to credit them as dividends to annuity holders. The Carnegie Corporation endowed TIAA initially with one million dollars and has since made other grants. Its present assets exceed \$425,000,000 with more than 650 educational institutions and foundations participating.

B. Type of Plan - Annuity purchase program.

C. Proposed Effective Date - 1 July 1956.

D. Participation - Voluntary, with staff agents excluded.

E. Eligibility Requirements - Permanent employees, i.e., employees having indefinite tenure with the cover company, (this excludes consultants, seed packers, part-time employees, etc.) will be eligible to participate on attainment of age 25 and completion of one year's satisfactory service. However, the one year requirement will be waived for an employee, otherwise eligible, who already holds a retirement annuity contract issued by TIAA. Age twenty five has been selected by the cover company since experience has shown that turnover is greatest in the under 25 age group.

F. Funding and Benefits - The plan will be funded through the purchase of annuity contracts of the TIAA. Optionally, an employee may designate that 1/4, 1/3, or 1/2 of the amount contributed is to be invested in TIAA's College Retirement Equities Fund (CREF). The CREF is a form of investment trust designed to protect the investor from fluctuations in the cost of living by providing a variable annuity based upon the performance of select common stocks in which the trust will invest. Employee contributions will approximate 3% of the first \$350 of monthly earnings and 6% of monthly earnings in excess of \$350. The cover company will contribute \$2.00 for each dollar of employee contributions as shown in Exhibit A. The combined sums will be deposited to the employee's account at a guaranteed 2 1/2% interest rate (plus usual 1/2% extra). The aim of the plan is to achieve a pension, including Social Security, of approximately 40% of base salary if the employee serves for twenty years. Survivor benefits are provided in the event of death. Exhibit B is a schedule of estimated monthly benefits for employees at various ages and salary levels.

In view of the moral obligation DTPILLAR owes to those employees who have remained through its most trying period, for each participating employee who has had at least twelve months'

service with the Project as of 1 July 1956 DTPILLAR proposes to make a contribution of 50% of the amount the Project would have contributed prior to 1 July 1956 if this retirement plan had been in effect when the individual was employed. These contributions will be paid to the employee's account in equal annual installments over a period of five years and will vest in each employee only as paid in by the Project.

G. Vesting - TIAA will not normally handle deferred vesting; however, it is willing to accept the following. A participating employee not transferring to another TIAA organization upon termination of employment with less than five years service or less than \$1,000 in his contract, may withdraw only what he himself has contributed. DTPILLAR will receive a credit against future installments for the amount it has contributed.

H. Cost - The estimated maximum and minimum costs of the plan are as follows. *

Maximum Future Service Benefits	\$ 50,652
Maximum Past Service Benefits (Each year for next five years)	<u>10,493</u>
	\$ 61,145
Expected Future Service Benefits	\$ 46,400
Expected Past Service Benefits	
First Year	9,654
Second Year	9,075
Third Year	8,712
Fourth Year	8,538
Fifth Year	8,453

The employee-employer ratio of contributions of two to one mentioned in paragraph F is not considered excessive by present standards. Investigation has shown that the following ratios are currently in use:

<u>Organization</u>	<u>% of Salary Contributed by</u>	
	<u>Employer</u>	<u>Employee</u>
U.S. Dept. of Agriculture Grad. School	15	6
Michigan University	10	5
Purdue University	10	5
Rockefeller Foundation (dep. on salary)	15	0 or
	10	5
Ford Foundation	10	5
Sloan Foundation	15	5
Carnegie Foundation	10	5
East Europe Fund	10	5

* Assuming 82 employees will be eligible and all elect to participate as of 1 July 1956

I. Retirement - Normal retirement will be at age 65. Although by special vote of the Executive Committee extension of service beyond age 65 for definite periods not to exceed one year is possible, there will be no accrual of annuity or continuation of contributions during such extensions of employment after age 65.

J. Termination - Provision will be made in the DTPILLAR contracts with TIAA for termination or modification of the retirement plan by DTPILLAR at any time.

4. A preliminary meeting was held on 28 March 1956 at the request of IO Division to discuss the proposed retirement plan with officials representing IO Division, Comptroller, Commercial Staff, OGC, and SSA/DD/S. It was generally conceded that the proposed plan was sound but that in view of the policy question inherent in it and the precedent it would tend to establish, it was a proper matter for the PRC to consider.



Chief
International Organizations Division

S-E-C-R-E-T

DTPILLAR
RETIREMENT PLAN

EMPLOYEE - EMPLOYER MONTHLY CONTRIBUTION SCHEDULE*
(FUTURE SERVICE BENEFITS)

<u>MONTHLY EARNINGS CLASS</u>		<u>MONTHLY PENSION CONTRIBUTION IN CLASS</u>	
<u>FROM</u>	<u>TO</u>	<u>EMPLOYER</u>	<u>EMPLOYEE</u>
\$226 -	\$275	\$15.00	\$ 7.50
276 -	325	18.00	9.00
326 -	375	21.00	10.50
376 -	425	27.00	13.50
426 -	475	33.00	16.50
476 -	525	39.00	19.50
526 -	575	45.00	22.50
576 -	625	51.00	25.50
626 -	675	57.00	28.50
676 -	725	63.00	31.50
726 -	775	69.00	34.50
776 -	825	75.00	37.50
826 -	875	81.00	40.50
etc.		etc.	etc.
(increasing by \$50.00 for each subsequent class)		(increasing by \$6.00 for each subsequent class)	(increasing by \$3.00 for each sub- sequent class)

* Employee contributions approximate
 3% of first \$350.00 of monthly earnings;
 6% of amounts exceeding \$350.00. Employer
 contribution is twice that of employee.

S-E-C-R-E-T

DTPILLAR

EXHIBIT B

RETIREMENT PLAN
PROJECTED PENSION BENEFIT ESTIMATES

ESTIMATED EXPECTED MINIMUM MONTHLY BENEFITS IF PLAN MEMBERSHIP BEGINS AT:

EMPLOYEES MONTHLY EARNINGS CLASS	ESTIMATED MONTHLY SOCIAL SECURITY	AGE 35		AGE 45		AGE 55	
		PENSION FROM DTPILLAR PLAN	TOTAL PENSION INCL. SOC. SEC. AS % OF MONTHLY EARNINGS*	PENSION FROM DTPILLAR PLAN	TOTAL PENSION INCL. SOC. SEC. AS % OF MONTHLY EARNINGS*	PENSION FROM DTPILLAR PLAN	TOTAL PENSION INCL. SOC. SEC. AS % OF MONTHLY EARNINGS*
226 - 275	\$ 88.50	\$ 68.00	63%	\$ 41.00	52%	\$ 18.00	43%
276 - 325	98.50	82.00	60%	49.00	49%	21.00	40%
326 - 375	108.50	96.00	58%	57.00	47%	25.00	38%
376 - 425	108.50	123.00	38%	73.00	45%	32.00	39%
426 - 475	108.50	151.00	56%	89.00	41%	39.00	33%
476 - 525	108.50	178.00	57%	104.00	43%	46.00	31%
526 - 575	108.50	205.00	57%	120.00	42%	53.00	29%
576 - 625	108.50	233.00	57%	138.00	41%	61.00	28%
626 - 675	108.50	260.00	57%	154.00	40%	68.00	27%
676 - 725	108.50	287.00	57%	170.00	40%	75.00	26%
726 - 775	108.50	315.00	96%	186.00	33%	82.00	25%
776 - 825	108.50	342.00	36%	201.00	37%	89.00	25%
826 - 875	108.50	370.00	54%	227.00	36%	96.00	24%

* Figure shown is percentage for midpoint of earnings class.