

OLC 71-0240

September 9, 1979

Mr. Ranta

Mr. Snyder

Central Intelligence Agency draft bill, "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes."

Section 102 of the draft bill would add a new section 261(c) to the Central Intelligence Agency Retirement Act of 1964 which would require the Director of the Central Intelligence Agency (CIA) to notify the Secretary of the Treasury at the end of each fiscal year of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the CIA Retirement and Disability System, and (2) that portion of disbursement for annuities for that year which the Director estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary would be required to credit to the CIA Retirement and Disability Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter.

Unfunded liability would be defined in the draft bill as the estimated excess of the present value of all benefits payable from the fund to participants and former participants, subject to the Act, and to their survivors, over the sum of -- (a) the present value of deductions to be withheld from the future basic pay of participants currently subject to the Act and of future agency contributions to be made in their behalf; plus (b) the present value of Government payments to the fund under section 261 of the Act (presumably should read "section 261(b)"); plus (c) the fund balance as of the date the unfunded liability is determined.

The draft bill would add a new section 261(b) to authorize appropriations to the Fund to finance the unfunded liability created by a statute that authorizes new or liberalized benefits, extension of coverage to new groups of employees, or increases in pay on which benefits are computed. Such appropriations

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would be authorized in 30 annual installments with interest computed at the rate used in the then most recent valuation of the Central Intelligence Agency retirement system.

The material accompanying the draft bill indicates that the principal purpose of the proposed legislation is to improve the financing of the CIA retirement system by adopting the same funding procedures recently approved for the Civil Service (P.L. 91-93) and Foreign Service (P.L. 91-201) systems. The CIA retirement system and the Civil Service System, however, differ in one very vital respect. While the normal cost of the Civil Service system (about 14 percent) is approximately equal to the combined deductions and agency contributions to the system, this is not the case in the CIA retirement system where normal cost of 30.33 percent substantially exceeds agency-employee contributions of 16.67 percent. The disparity between normal cost and agency-employee contributions would result in a serious overstatement of the accrued liability of the CIA system under the definition of unfunded liability contained in the draft bill.

In accepted actuarial practice, accrued (i.e., past service) liability is defined as the total liability for benefits payable to the current active and retired force plus the discounted value of future normal premiums. The unfunded liability is simply the portion of the accrued liability not covered by the fund. (Normal cost is defined in the recently enacted Civil Service Retirement Amendments of 1969 as the entry-age normal cost computed in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay. Normal premium is the amount found by applying the normal cost percentage to the aggregate annual payroll.)

Under the CIA draft legislation, as in the Civil Service and Foreign Service acts, future agency-employee contributions have been substituted for normal premiums in the definition of unfunded liability. In the case of CIA, because such contributions fall short of the normal premium by 13.71 percentage points, the unfunded liability would be increased by about 85 percent of the amount stated in the letter from CIA to the Bureau of the Budget. This overstatement of unfunded liability would result in the payment of interest by Treasury under section 261(c) on liability not yet accrued -- analogous to paying interest on debt not yet incurred -- and would correspondingly reduce the estimate prepared by the Director under section 261(a) of annual appropriations required to be made to the fund.

The existing Foreign Service Act contains the same defect, because normal premiums are 31.22 percent of aggregate basic pay and agency-employee contributions are only 16.28 percent.

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The defect is only temporarily avoided in the Civil Service Retirement Amendments of 1969. If the normal cost of that system is recomputed using a more realistic valuation rate than the 3-1/2 percent now employed, normal cost would fall considerably and the unfunded liability, according to accepted actuarial practice would be very much understated under the existing definition. The understatement of unfunded liability would result in the Treasury paying interest on something less than the generally recognized accrued (i.e., past service) liability.

In addition, the definition of unfunded liability in the Civil Service, Foreign Service, and CIA draft legislation provides for the deduction of the present value of appropriations which would be deemed to be authorized by future legislation which creates new unfunded liability from the present value of benefits payable from the fund. Such a deduction completely disregards the accrual basis of the actuarial definition of unfunded liability, and is analogous to not recognizing a debt because a promise has been made to pay the debt in the future.

In order to be consistent with accepted actuarial practice, unfunded liability should be redefined in the Civil Service Act, the Foreign Service Act, and the CIA draft legislation along the following lines:

Unfunded liability means the estimated excess of the present value of all benefits payable from the fund over the sum of -

- (a) the present value of future normal premiums; plus
- (b) the fund balance as of the date the unfunded liability is determined.

A return to this standard definition of unfunded liability would also imply that the 30-year amortization payments provided for in the Acts and the draft bill should be reduced to principal only, since the unamortized obligation would be included properly as a part of the total unfunded liability on which interest would be paid currently.

In view of the foregoing we would be opposed to the draft bill.

Office of Debt Analysis

UNITED STATES GOVERNMENT

The Department of the Treasury
Washington, D.C.

Memorandum

TO : Mr. Snyder

DATE: December 8, 1970

FROM : Hugo A. Ranta
Assistant General Counsel

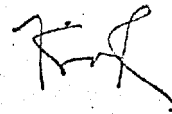
SUBJECT:

The Office of Management and Budget has requested the views of this Department on the Civil Service Commission comments on Treasury views concerning retirement financing. A copy of the Civil Service Commission comments are attached.

I would appreciate your comments to assist this office in the preparation of a report.

Mr. Victor Zafra (395-3736) or Miss Hilda Schreiber (395-4650) is handling this matter at the Office of Management and Budget.

Attachment



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

October 8, 1970

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Zafra

Dear Mr. Rommel:

The Commission has been asked to comment on a Treasury Department letter referring to the Central Intelligence Agency draft bill, "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes." The bill would apply the financing provisions of the Civil Service Retirement System, as provided in Public Law 91-93, to the CIA system. These provisions have been previously incorporated into the Foreign Service Retirement system. The Treasury Department letter suggests that the CCR financing is contrary to accepted actuarial principles and the CCR and FSR laws, as well as the CIA law, should be revised. Therefore, this letter will discuss the actuarial principles involved before making a recommendation on the CIA financing.

There is no one accepted actuarial principle which applies to all plans. Given one of the major types of actuarial methods, there are probably as many different descriptions of the method as there are actuaries. All methods must equate the present value of future benefits to be paid with the present value of any existing fund plus future scheduled contributions. The actuarial method simply determines the timing of the payments into the fund. The benefits paid from the fund must be met by the contributions and the interest earned on the fund no matter what method of payment is employed.

Under this broad criteria, the funding method can range from one immediate payment which, with interest, will pay all future benefits to a pay-as-you-go system which meets all benefits directly as they fall due and, therefore, no fund is developed. This latter method is that employed by the military retirement system, and the former has probably never been used for a going plan because of the prohibitive cost.

Most plans are funded by other methods which generally try to attain two goals. First, the method should attempt to level out the payments so that each year's payment is at a predetermined and consistent level.

Second, if there is a liability which will not be paid for by scheduled contributions, a schedule of payments should be set up for this liability. As a minimum, the interest on the liability should be paid in order to keep the liability at its initial value.

One of the popular actuarial funding methods is the entry-age-normal-cost (EANC) method. Since the CSR funding method is similar to EANC except for one major difference, a discussion of EANC would be in order. The computation of EANC rests on the concept of normal cost. This is the annual amount which should be paid for each participant (or for the average participant) for each year from the year of hire to the year of retirement in order to provide any benefits to be paid to the participant or his family. The present value of all benefits to be paid and the present value of all normal costs is computed as of a given "valuation date". The excess of the present value of benefits over the present value of normal costs and the present fund balance as of the valuation date is the "unfunded liability". A schedule is set up to amortize the amount of this unfunded liability in a series of level annual payments or, at least, to pay the annual interest on the unfunded liability. The annual cost to the participants and/or the participants' employer is the normal cost plus the scheduled payment. Generally, the participants pay a fixed percentage of salary or make no contributions and the employer pays the balance. In any true application of this system, the payment (including the full normal cost) must be made each year or the method becomes meaningless. Under Treasury Department regulations covering private pension plans, the plan must pay the full normal cost or lose its qualified status.

The CSR, FSR, and CIA systems fail to meet the basic requirement that payment of the normal cost must be guaranteed and, therefore, the systems are not financed by the true EANC method. At one time in the legislative history of Public Law 91-93, there was a requirement that the employee contribution rate be automatically adjusted to equal one-half of the normal cost. The agency contribution is equal to the employee contribution so that under this requirement, the full normal cost would have been paid each year. At that time, the definition of "normal cost" was introduced. However, when the equating of normal cost and contribution rate was dropped, the definition was overlooked and retained in the law. Therefore, the definition remains in the law but it should be noted that the term "normal cost" is not used in the text outside the definition. Since, payment of the normal cost of the system is not guaranteed, the CSR funding method substitutes, in the above definition, the "present value of the guaranteed contributions" where the "present value of normal cost" ordinarily appears.

The CSR law contains three provisions which will guarantee financing of all past and future benefits: First, a contribution will be paid by each employee and matched by his agency in an amount determined by law. Second, the cost of each new liberalization of benefits, salary, or coverage will be met in 30 equal annual installments. Finally, the interest on any remaining unfunded liability will be paid each year. Through this combination of funding requirements, all prospective benefits will be financed and the desired goals of level payments and a frozen unfunded liability will be attained.

The Treasury Department letter suggests that two of the three parts of the CSR funding method are incorrect. They state that the method of treatment of the 30-year payments does not recognize an existing debt and recommend an alternative method. In fact, the liability created by each law is recognized and is added to the total CSR liability. The 30 scheduled payments are also recognized and added to the assets as scheduled payments. Since, at the first valuation date after passage of the law, the liability and asset generated are equivalent there is no increase in the unfunded liability. The alternative method suggested by the Treasury Department would pay the principal in 30 equal installments and the interest on the unpaid installments each year. This method would be analogous to a mortgage with equal principal payments instead of equal total payments with an increasing portion of the total being a principal payment. The result would be a series of payments in decreasing amounts with the first payment being the largest. At one time in the legislative development of P.L. 91-93 a system of increasing payments was proposed to soften the initial impact on the budget but at no time was it suggested that the payments be on a decreasing schedule.

The second comment in the letter is that the present value of normal cost should be deducted from the unfunded liability in order to have a true EANC method. In the past the FSR, CSR, and CIA systems were financed by the EANC method in name only. With each valuation the recommended payment was calculated and then promptly ignored. The Commission believes it is much more desirable to have a financing system which does not fit into a rigid traditional concept but under which the liability for all benefits is recognized than to have a traditional system with only part of the required financing being met. A numerical example of an EANC method without the normal cost being paid follows:

X Normal int system has been ~~used for financing~~
 + so does seem minimal, but just goes broke under both methods

Let us assume the ABC corporation has a pension system with the following actuarial costs.

1. Present value of future benefits	\$11,000,000
2. Present value of future normal cost	5,000,000
3. Fund balance	1,000,000
4. Unfunded liability	5,000,000
(1) - (2) - (3)	

If the calculation is done at 5% interest and the normal cost is \$500,000 a year, the current payment due is \$750,000 ($\$500,000 + .05 \times \$5,000,000$). Assuming no payment of benefits and exact duplication of all actuarial assumptions the financial situation in the following year will be as follows:

1. \$11,550,000	($\$11,000,000 \times 1.05$)
2. 4,725,000	(($5,000,000 - 500,000$) $\times 1.05$)
3. 1,825,000	(($1,000,000 + 500,000$) $\times 1.05 + 250,000$)
4. 5,000,000	

Again, in this year and in all future years, as long as past funding requirements are met, the required payment will be \$750,000. Let us assume, however, that the above calculations are made but that only one-half of the normal cost plus interest in the unfunded liability is paid. The resulting payment would then be \$500,000 and, at the end of the first year, the picture would be as follows:

1. \$11,550,000	
2. 4,725,000	
3. 1,562,500	(($\$1,000,000 + \$250,000$) $\times 1.05 + \$250,000$)
4. 5,262,500	

Therefore, the second year payment at one-half of normal cost plus interest would be \$513,125. It is apparent that this method violates both of the desired goals involved in using the EANC method. The unfunded liability (Item (4)) continues to grow and the payments are not level but increasing.

The Treasury letter is concerned about future differences between the normal cost and the contribution rate. It should be mentioned that the designers of Public Law 91-93 did intend the contribution to roughly equal the normal cost and, therefore, the contribution rate (14%) was adjusted to approximate the normal cost (13.98%). The Board of Actuaries is currently in process of a new valuation

which will revise all actuarial assumptions to reflect the current situation. If the new normal cost is substantially different from 14.00%, Congress will be asked to consider adjustment of the contribution rate and/or benefits to reflect the normal cost. If the normal cost is lower than 14.00%, there should be little difficulty in effecting the adjustment.

The Commission supports enactment of the draft bill since it will result in an improved financial base for the CIA system. The Commission further recommends that, as part of the bill, the actual normal cost of the system be implicitly recognized and met each year. Since one half of the normal cost would be prohibitive contribution for the covered employees the employee contribution rate should be held at about 7% and the balance should be met from other sources. One suggestion would be for the agency to pay the balance. An alternative would be for the agency to match the employee contribution and for the balance to be paid out of general revenues.

It should be emphasized that Public Law 91-93 was a compromise between considerations of the national budget and the retirement fund. This compromise was worked out over several years by the Congressional Committees involved, the Civil Service Commission, the Bureau of the Budget, and the Comptroller General. Since the result is a funding system for CSR which results in level funding of all past and future benefits, any proposed change should be examined very carefully and adopted only if it results in an improvement over the present method.

By direction of the Commission:

Sincerely yours,

Robert Hampton
Chairman

This is in reply to your request for the views of this Department on the Civil Service Commission comments of October 8, 1970 on Treasury views concerning retirement financing, submitted September 9, 1970.

Prior to the receipt of the Commission's comments we prepared draft legislation to amend the definition of unfunded liability in the CSR and FSR Acts, and to provide similar financing language for the CIA retirement draft bill. This draft legislation is attached. In it we propose essentially only one change from the existing CSR and FSR Acts. This change would replace "deductions" with "normal premiums" in the definition of unfunded liability. We have withdrawn our objection to the inclusion of the amortization payments for salary increases, etc., as an asset in the definition of unfunded liability. (Our main objection here had been that authorization of appropriations was no guarantee that they would be made.)

For Foreign Service and CIA we recommend financing by way of the "pegged-fund" route. This type of financing is illustrated in Projections B1 and B2 (attached) on a static basis and in Projections B3 and B4 on a dynamic basis. Projections B1 and B3 are based on the proposed normal cost definition of unfunded liability while projections B2 and B4 are on the semi-immediate funding basis contained in the present Act. Over about the next 30 years total Government cost (as illustrated in Summary Table I, attached) is less under the normal cost Projections B1 and B3 than under the semi-immediate Projections, B2 and B4.

The use of the normal cost definition would have no effect on the financing of the Civil Service Retirement system so long as its normal cost remains equal to contributions. In the event of a slight difference between normal cost and contributions there would be a correspondingly slight effect on its financing.

The type of funding implied by a given definition of unfunded liability is determined by the question, "What type of funding is necessary to avoid an accrual of unfunded liability under the definition?" Let us examine the situation with respect to a typical Foreign Service entrant. On the day he starts to work the present value of his future benefits is in the neighborhood of 30% of the present value of his future salary (using static assumptions). Under the normal cost definition of unfunded liability, about 30% of salary would have to be contributed each year to prevent the accrual of unfunded liability. If we assume that yearly contributions from all sources come to only about 15% of salary, the unfunded liability will grow, beginning at zero at the outset and increasing to an ultimate level depending on the amount of the annual shortages. Under the semi-immediate definition contained in the Act the present value of the future 15% annual shortages would be added to the unfunded liability on the day the employee starts to work. The accrual of this unfunded liability could only be avoided by an addition of the full amount at the outset. Therefore immediate funding of half the cost is implied.

A similar situation would exist in the case of CIA. From a practical standpoint the problem does not exist in Civil Service. However, to the extent that normal cost might differ from contributions the problem could develop.

There is some question whether the definition contained in the law can be interpreted as the normal cost basis. This depends on whether "future agency contributions" can be interpreted to include future residual normal cost appropriations. In any event, there is need for clarification or correction. In this discussion, it is assumed that the definition in the law means the semi-immediate basis and not the normal cost basis.

The principal effect of the present semi-immediate approach in the Foreign Service system, where normal cost is almost double the total contribution rate, is that the unfunded liability is much larger than it is under the normal cost method. The first and second tables of any of the three groups A, B, or C show the June 30, 1971 unfunded liability under the normal cost method as \$483.4 million as against \$639.6 million under the semi-immediate method. Accelerated financing in the form of higher automatic interest payments on the unfunded liability by the Treasury are then required.

We believe that semi-immediate funding is not called for. Since the immediate funding basis is used in practically no other system, it should not be used in Government retirement systems. Internal Revenue requires no more than normal cost treatment in private plans and the American Institute of C.P.A.'s recommends nothing stronger than normal cost assumptions. The normal cost basis already exceeds the elementary earned-credit or past service liability. In our Federal systems we have gone to the pay-as-you-go extreme in some cases but never to the immediate funding extreme. ~~In our opinion the pay as you-go approach may warrant serious consideration.~~

We feel that the Commission's comments might give the impression that prior financing was not successful because of the normal cost method. We would like to point out that without provision for actual appropriations the fund would have been in exactly the same position regardless of the method of funding assumed.

In regard to the four Foreign Service summary tables attached, Tables I and II show the total annual cost to the Government for certain years on a dollar as well as a percentage of payroll basis. (The tables begin with fiscal 1972 in order to not distort the comparison of the various methods because of actual data appearing in 1971.) Generally, during about the next 30 years, the normal cost approaches are a little less costly than the semi-immediate system. Beyond 30 years the cost comparison is reversed. By 1980 the cost as a percentage of payroll can be expected to rise to the area of 40% under any of the modified methods. By the year 2000 it can be expected to approach 50%, and ultimately 60% to 70%.

Table III shows the Foreign Service Fund under the various assumptions. Under static assumptions, full funding would put the Fund at an ultimate level of about \$1 billion. Without special funding the Fund would become exhausted by 2025 under the normal cost approach and at a later date under the semi-immediate approach. At that time benefits would presumably be met on a pay-as-you-go basis. The pegged-fund method would produce a level fund of about \$345 million under the normal cost definition and about \$600 million under the semi-immediate definition. With dynamic assumptions, however, the Fund behaves quite differently. With a steady $3\frac{1}{2}\%$ per year pay increase and a steady $1\frac{1}{2}\%$ per year cost-of-living increase there would be no foreseeable financing problems. Although the eventual size of the Fund appears to be astronomic under the dynamic assumptions, Table IV shows that the ratio of Fund to retired payroll would not be quite so astronomic. Whereas full funding on a static basis produces an ultimate ratio of 8 or 9 to 1, the modified methods under dynamic assumptions reach a ratio of 10 or 11 to 1 by 2050. Realistically, we believe the performance of the system would fall somewhere between the static and dynamic projections. The progress of the fund under dynamic assumptions is attributable primarily to the fact that all salary increases are fully financed, interest is paid by the Government on the unfunded liability, and the active salary rate is increasing by $3\frac{1}{2}\%$ per year while the annuity rate is increasing by only $1\frac{1}{2}\%$ per year.

In summary, we believe that the normal cost definition of unfunded liability would leave the Civil Service Act virtually unaffected, it would permit financing of the CIA and Foreign Service systems with fund-pegging appropriations at a later date if desired, and for these two systems would provide a much more rational basis for determining the amount of unfunded liability on which interest payments will be paid automatically by the Secretary of the Treasury.

Summary Table I

Annual Total Cost to Government

(all amounts in millions)

Fiscal year	Static assumptions			Dynamic assumptions		
	Active payroll	Normal cost plan	Semi-immediate plan	Active payroll	Normal cost plan	Semi-immediate plan
(Full funding - A projections)						
1972	\$111.8	\$ 29.9	\$27.2	\$ 117.7	\$ 31.8	\$ 28.9
1980	131.9	60.1	62.4	182.9	81.9	85.2
1990	143.6	64.0	64.7	280.7	127.6	130.2
2000	150.1	65.5	65.4	414.2	196.5	198.7
2050	148.1	65.6	65.7	2282.2	1478.9	1354.8
(Pegged fund - B projections)						
1972	\$111.8	\$ 15.0	\$16.5	\$ 117.7	\$ 16.0	\$ 18.0
1980	131.9	49.8	56.5	182.9	66.3	76.4
1990	143.9	61.3	64.1	280.7	114.2	124.0
2000	150.1	73.0	70.2	414.2	188.5	196.4
2050	148.1	100.0	87.8	2282.2	1585.9	1412.6
(Ultimate pay-as-you-go - C projections)						
1972	\$111.8	\$ 15.0	\$16.5	\$ 117.7	\$ 16.0	\$ 18.0
1980	131.9	49.8	56.5	182.9	66.3	76.4
1990	143.9	61.3	64.1	280.7	114.2	124.0
2000	150.1	72.0	70.2	414.2	188.5	196.4
2050	148.1	117.2	97.1	2282.2	1585.9	1412.6

Summary Table II

Annual Total Cost to Government as a Percentage of Active Payroll
(payroll amounts in millions)

Fiscal year	Static assumptions			Dynamic assumptions		
	Active payroll	Normal cost plan	Semi-immediate plan	Active payroll	Normal cost plan	Semi-immediate plan
(Full funding - A projections)						
1972	\$111.8	27%	24%	\$ 117.7	27%	25%
1980	131.9	46	47	182.9	45	47
1990	143.6	45	45	280.7	45	46
2000	150.1	44	44	414.2	47	48
2050	148.1	44	44	2282.2	65	59
(Pegged fund - B projections)						
1972	\$111.8	13%	15%	\$ 117.7	14%	15%
1980	131.9	38	43	182.9	36	42
1990	143.9	43	45	280.7	41	44
2000	150.1	49	47	414.2	46	47
2050	148.1	68	59	2282.2	69	62
(Ultimate pay-as-you-go - C projections)						
1972	\$111.8	13%	15%	\$ 117.7	14%	15%
1980	131.9	38	43	182.9	36	42
1990	143.9	43	45	280.7	41	44
2000	150.1	48	47	414.2	46	47
2050	148.1	79	66	2282.2	69	62

Summary Table III

Size of Fund

(all amounts in millions)

Fiscal year	Static assumptions			Dynamic assumptions		
	Retired payroll	Normal cost plan	Semi- immediate plan	Retired payroll	Normal cost plan	Semi- immediate plan
(Full funding - A projections)						
1972	\$ 26.3	\$ 69.7	\$ 67.7	\$ 26.9	\$ 71.6	\$ 69.5
1980	45.9	298.4	290.7	55.6	390.0	386.9
1990	75.8	636.8	639.9	119.8	1093.5	1121.3
2000	101.0	887.0	890.4	214.4	2092.0	2156.3
2050	127.4	1033.6	1035.6	1447.5	22604.5	20734.3
(Pegged fund - B projections)						
1972	\$ 26.3	\$ 54.4	\$ 56.8	\$ 26.9	\$ 55.5	\$ 58.2
1980	45.9	141.5	189.0	55.6	199.6	266.2
1990	75.8	293.8	431.6	119.8	589.3	824.1
2000	101.0	345.8	575.4	214.4	1113.6	1610.1
2050	127.4	345.8	593.2	1447.5	14189.8	16266.2
(Ultimate pay-as-you-go - C projections)						
1972	\$ 26.3	\$ 54.4	\$ 56.8	\$ 26.9	\$ 55.5	\$ 58.2
1980	45.9	141.5	189.0	55.6	199.6	266.2
1990	75.8	293.8	431.6	119.8	589.3	824.1
2000	101.0	344.7	575.4	214.4	1113.6	1610.1
2050	127.4	0.0	187.2	1447.5	14189.8	16266.2

Summary Table IV

Ratio of Fund to Retired Payroll
(payroll amounts in millions)

Fiscal year	Static assumptions			Dynamic assumptions		
	Retired payroll	Normal cost plan (ratio)	Semi-immediate plan (ratio)	Retired payroll	Normal cost plan (ratio)	Semi-immediate plan (ratio)
(Full funding - A projections)						
1972	\$ 26.3	2.7	2.6	\$ 26.9	2.7	2.6
1980	45.9	6.5	6.3	55.6	7.0	7.0
1990	75.8	8.4	8.4	119.8	9.1	9.4
2000	101.0	8.8	8.8	214.4	9.8	10.1
2050	127.4	8.1	8.1	1447.5	15.6	14.3
(Pegged fund - B projections)						
1972	\$ 26.3	2.1	2.2	\$ 26.9	2.1	2.2
1980	45.9	3.1	4.1	55.6	3.6	4.8
1990	75.8	3.9	5.7	119.8	4.9	6.9
2000	101.0	3.4	5.7	214.4	5.2	7.5
2050	127.4	2.7	4.7	1447.5	9.8	11.2
(Ultimate pay-as-you-go - C projections)						
1972	\$ 26.3	2.1	2.2	\$ 26.9	2.1	2.2
1980	45.9	3.1	4.1	55.6	3.6	4.8
1990	75.8	3.9	5.7	119.8	4.9	6.9
2000	101.0	3.4	5.7	214.4	5.2	7.5
2050	127.4	0.0	1.5	1447.5	9.8	11.2

STATINTL

STATE - A.I.D. - USIA ROUTING SLIP			DATE			
			4/9/71			
TO:	Name or Title	Orgen. Symbol	Room No.	Bldg.	Initials	Date
1.		CIA				
2.						
3.						
4.						
5.						
<input type="checkbox"/>	Approval	<input type="checkbox"/>	For Your Information	<input type="checkbox"/>	Note and Return	
<input type="checkbox"/>	As Requested	<input type="checkbox"/>	Initial for Clearance	<input checked="" type="checkbox"/>	Per Conversation	
<input type="checkbox"/>	Comment	<input type="checkbox"/>	Investigate	<input type="checkbox"/>	Prepare Reply	
<input type="checkbox"/>	File	<input type="checkbox"/>	Justify	<input type="checkbox"/>	See Me	
<input type="checkbox"/>	For Correction	<input type="checkbox"/>	Necessary Action	<input type="checkbox"/>	Signature	
REMARKS OR ADDITIONAL ROUTING						
<p>At the request of Mr. Kroll I am attaching:</p> <ol style="list-style-type: none"> 1. Treasury comments on CIA Financing Legislation. 2. CSC comments on Treasury report. 3. Kroll's current draft to OMB. 4. Summary tables of Kroll's projections of the Foreign Service system showing alternative financing approaches and assumptions. <p>If you can digest all of this I will suggest your name for admission to the ancient and esteemed order of actuarial apprenticeship.</p>						
FROM: (Name and Org. Symbol)			ROOM NO. & BLDG.		PHONE NO.	
Robert B. Hull, Jr. PMS/PA			1818 N.S.		21273	

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Office of Legislative Counsel

EXTENSION

NO.

DATE

12 April 1971

STATINTL

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. [Redacted]
615 Key Building

2.
via: [Redacted]

4.

5.

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Attached are the technical papers supporting Kroll's position as reported in OLC's memorandum for the record of 8 April 1971, a copy of which has been forwarded to you.

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